



AUDIT REPORT

THE KANSAS COMMUNITY JUNIOR COLLEGE SYSTEM

PART I: STATE FINANCING AND SUPERVISION

A Report to the Legislative Post Audit Committee

LEGISLATIVE DIVISION OF POST AUDIT

State of Kansas

Topeka

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June 1978

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Through its audit work, the Division provides the Legislature with information for evaluating the work of State agencies. This information helps the Legislature decide what should be done to bring high-quality services to Kansans in the most effective and economical manner.

Legislative Post Audit performs its work in the following ways:

1. The Division reviews the financial affairs and operations of each State agency. By law, an audit of each agency must be conducted at least once every two years. During these audits, Legislative Post Audit conducts such examinations and tests as are deemed necessary to determine whether records have been accounted for and deposited, whether State funds have been spent for the purposes the Legislature authorized, and whether the requirements of law have been met in such areas as accounting systems, records, and agency rules and regulations. The Division also reviews other aspects of an agency's operations to determine whether the State's laws, policies, and programs are being carried out effectively, efficiently, and economically.
2. At the direction of the Legislative Post Audit Committee, the Division reviews and assesses particular State programs. These reviews address such matters as how effectively and efficiently a program is meeting its goal.

The Legislative Post Audit Act directs the Division to conduct its audit work "according to accepted auditing standards." As its professional guidelines, the Division uses the publication, *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued in 1972 by the Comptroller General of the United States in consultation with state and local finance officials and such related professional organizations as the American Institute of Certified Public Accountants.

Legislative Post Audit presents its findings in two kinds of reports—agency audit reports and program audit reports. The reports often contain recommendations that range from relatively small adjustments in agency operations to full-scale revampings of major programs. These recommendations are referred to the Legislative Post Audit Committee for consideration. Through the independence given to the Division by the Committee and by the provisions of law, and through the independent and rigorous nature of its audit and review procedures, Legislative Post Audit strives to produce findings and recommendations that are impartial, objective, and useful to the Legislature and the people of Kansas.

LEGISLATIVE DIVISION OF POST AUDIT

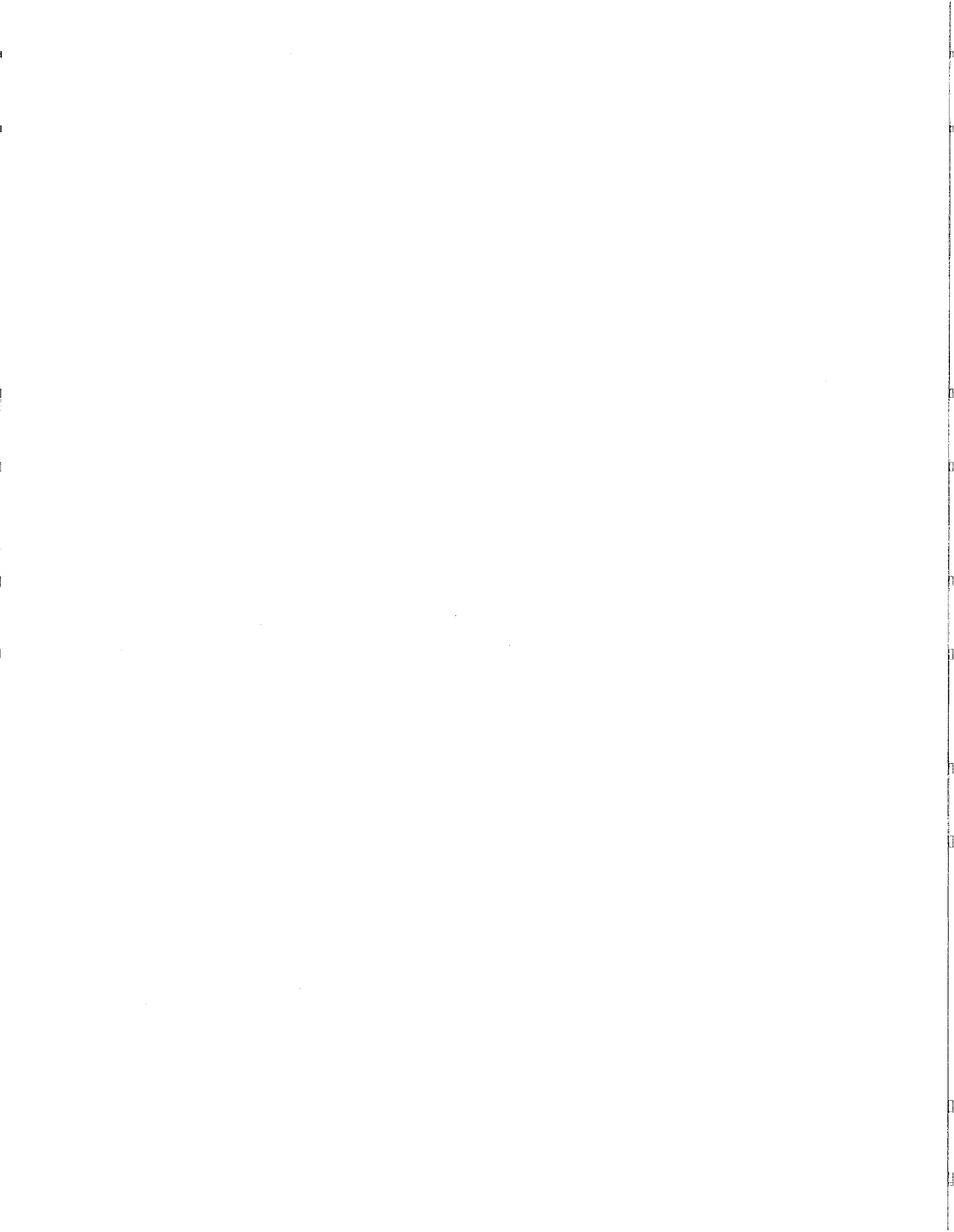
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THE KANSAS COMMUNITY JUNIOR COLLEGE SYSTEM
PART I: STATE FINANCING AND SUPERVISION

June 30, 1978

Legislative Division of Post Audit
State of Kansas
Topeka



FOREWORD

Kansas' willingness to help support educational programs at its 19 community junior colleges is clear. In fiscal year 1973, State aid totaled \$4.1 million; by fiscal year 1977, that amount had risen to \$12.5 million, a 205 percent increase. Legislation passed by the 1978 Legislature will increase this aid by more than \$3 million for fiscal year 1979. Moreover, the State's share of the colleges' total financial support is also on the rise. Five years ago, State aid made up only 18 percent of the colleges' total revenues; as of fiscal year 1977, however, State support provided nearly one-third of the colleges' funds. For this investment, considerable benefits have come to State taxpayers. In the fall of 1976 alone, nearly 28,000 citizens took coursework of some kind at the 19 community colleges.

Because of this sizable and growing State commitment of State funds, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a program audit of the community junior college system. This audit, The Kansas Community Junior College System, Part I: State Financing and Supervision, disclosed serious deficiencies in three areas:

- (1) The Department of Education's administrative procedures are inadequate, result in unnecessary State expenditures, and do not ensure that the colleges are spending State moneys the way the Legislature intended.
- (2) There is a lack of program and system accountability in that the Department appears to have little concern for the informational needs of State legislative and executive officials. The Department does not provide these officials with the full and consistent program and financial information they need to inform them how State moneys are being spent and whether funding levels are justified.
- (3) The Department plays a passive role in managing the community junior college program, reacting to the wishes of the colleges instead of leading them, despite statutory guidance which suggests a far more active management role to protect the State's investment.

The following audit findings clearly illustrate the nature and extent of the problems:

- The Department of Education has not established a uniform accounting system for the colleges despite the fact that as early as 1965 the Legislature directed it to do so. Recognizing this problem, the 1978 Legislature once again called for the establishment of a uniform accounting system.

- Although State appropriations for the colleges are included as part of the Department's budget, the Department's budget shows only four line items for the combined totals of each of the four types of State aid the colleges received. credit hour, outdistrict, vocational categorical, and adult basic education. This practice prevents legislative and executive decision-makers from having information needed for basic decisions.

- The colleges reported they made money on vocational courses--more than \$5 million in fiscal year 1977--and lost more than \$2 million on their academic programs. The Department has not provided the Legislature with this information because of the way the colleges' financial records are kept and reported; therefore, the Legislature could not know how this happened or how those excess revenues were used.

- The colleges make money on many of their outdistrict courses, almost double what it costs to operate them. This incentive has led to a tremendous proliferation in the number of outdistrict courses requested and taught and in the revenues generated by those courses. Between fiscal years 1973 and 1977, the number of outdistrict course credit hours taught jumped from 2,320 to 32,003, an incredible 1,279 percent, and revenues increased from \$98,500 to nearly \$1.7 million. The Department has done little to control this proliferation, to ensure the need for such courses exists, or to report these excess revenues to the Legislature for possible alternative uses.

- The audit identified several statutory violations. For example, the Department's procedure for computing a college's maximum budget limitation permitted five colleges with declining enrollments in fiscal year 1978 to receive budgets from one to nine percent higher than allowed by law. An Attorney General's opinion, sought and received by the Department after the audit was conducted, in effect gave approval to many of the Department's practices in these areas. Legislative Post Audit continues, however, to question the statutory interpretation reflected in both the Department's practices and in the Attorney General's opin-

ion. Recognizing that the Legislature is the final interpreter of the statutes it created in the first place, the Legislative Division of Post Audit recommends it carefully review the legal issues in question.

--The Department's approval of community junior college programs, courses, and course locations, the basis by which all State aid is paid, provides little or no control, as the following examples demonstrate:

- courses were approved based solely on course title;
- three colleges received nearly \$138,000 in State aid for courses the Department had not yet approved, and the problem probably extends to other colleges;
- hobby or recreational courses, such as cake decorating, powder puff mechanics, and horseshoeing, received State aid as "academic" courses;
- similar courses were approved at some colleges and disapproved at others.

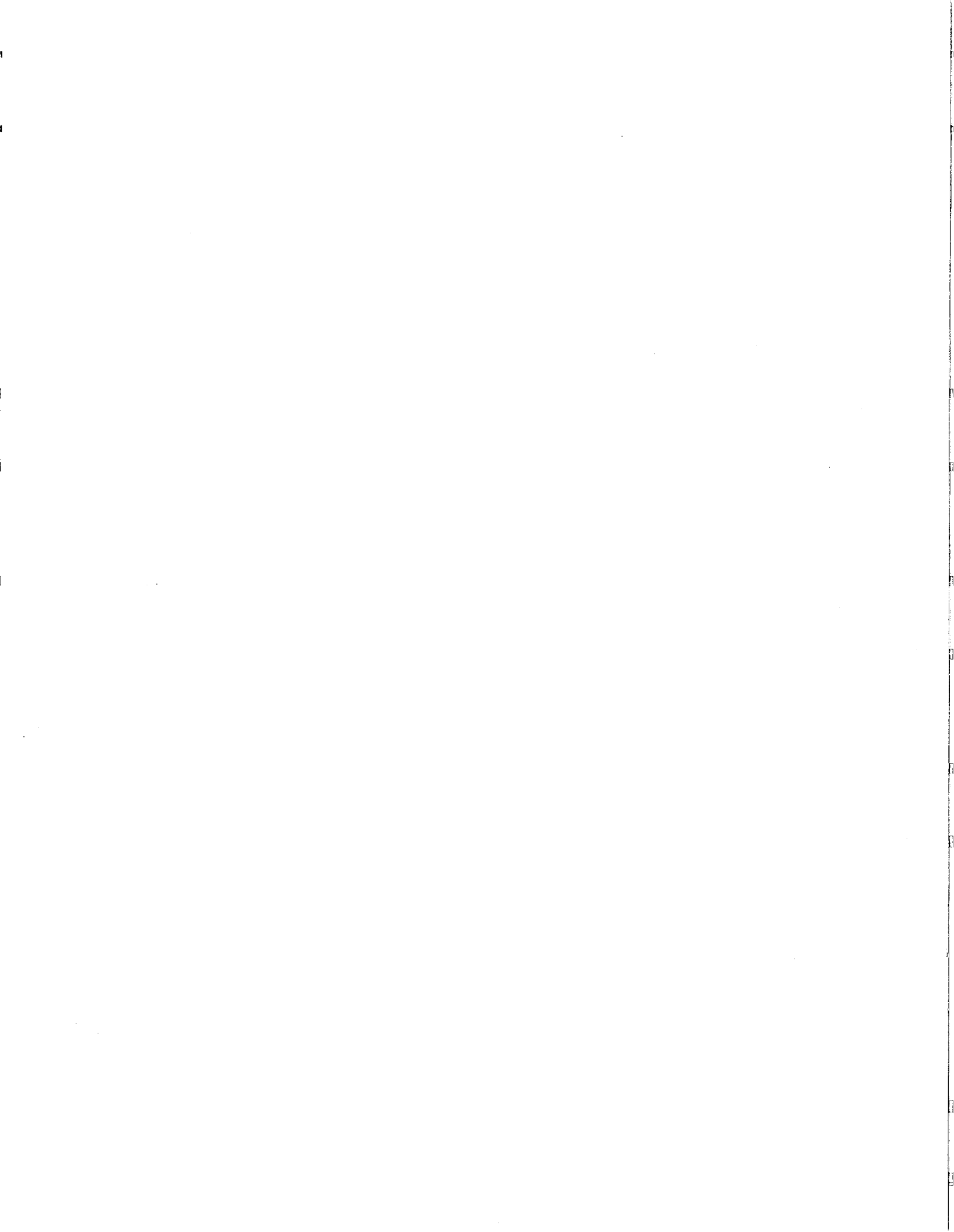
Each of these matters merits the careful attention of the Legislative Post Audit Committee and the Legislature as a whole.

The Department's response to a draft copy of the audit report comprised 38 pages in all and was quite detailed. In general, the Department disagreed with almost all audit findings and recommendations, and in many cases indicated it would not act without specific direction from the Legislature. Appendix D of this report presents a summary of the Department's response and the Legislative Division of Post Audit's replies to it, highlighting the more germane points. The full 38-page text was not included in the report because of printing considerations, but has been copied and bound in a supplemental volume for the Legislative Post Audit Committee and is available from this office to any other interested party. This forward is an attempt to highlight the key issues raised in the report, avoiding the detail presented in the Department's response and the audit report.

The Legislative Division of Post Audit is continuing this program audit and in Part II will focus on more results-oriented areas, such as transferability of community junior college courses to four-year colleges and institutions.

This audit required the efforts of a large number of staff members. Theresia Sculley, audit supervisor, was responsible for overall coordination of the audit work. She was assisted by audit team members Janet Hecht LaCicero, Charles Freeman, and by other staff members who visited each college to collect program information for the audit survey.


RICHARD E. BROWN
Legislative Post Auditor



Summary of Matters for Legislative Attention

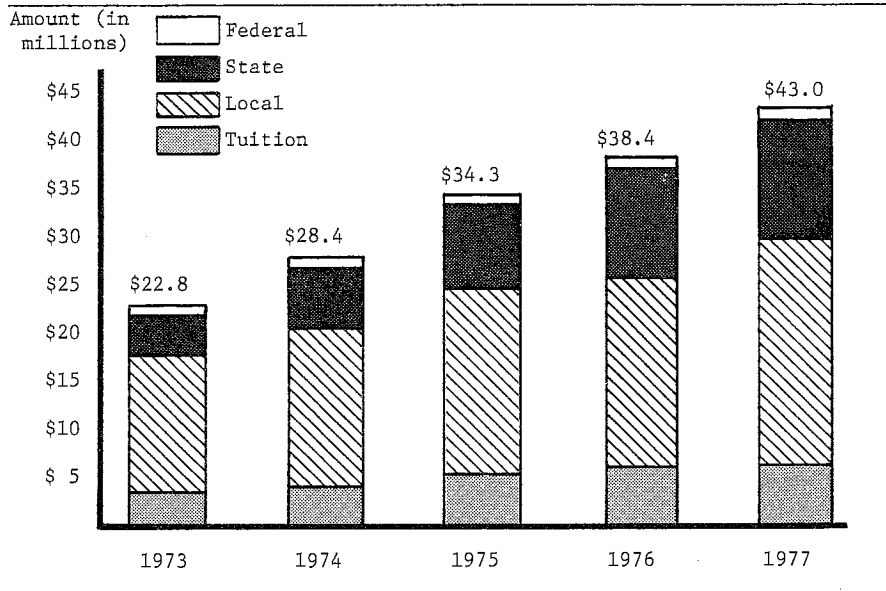
Audit Findings and Conclusions

The 19 community junior colleges in Kansas, although not State colleges, are part of the State's postsecondary education system and are under the general supervision of the Department of Education. These colleges were initially supported by local funds, but the 1961 Legislature authorized State aid to help support their educational programs and relieve county property taxes.

The amounts and types of State aid have risen considerably since then. By fiscal year 1977, State aid totaled \$12.5 million, 29 percent of the colleges' total revenues of \$43 million and a 205 percent increase over the \$4.1 million in State aid they received in fiscal year 1973. More than three-quarters of this increase came from increased State aid rates; for instance, the State credit hour aid rate, which accounted for \$7.4 million of the State aid payments in fiscal year 1977, nearly doubled in five years, from \$8 to \$15.50 per approved academic or vocational credit hour. With the passage of Senate Bill 657, the 1978 Legislature raised that amount even further to \$21 per approved academic credit hour and \$31.50 per approved vocational credit hour; the total effect of that bill will be a \$3 million increase in State aid to the colleges for fiscal year 1979.

The State's total share of the colleges' support is also on the rise. Although since fiscal year 1973 local funds have declined as a percent of the colleges' total revenues and federal funds have remained essentially the same, State funds have increased from 18 percent to 29 percent of the total, as the illustration on the top of the following page shows.

Concerned over these increases, the Legislative Post Audit Committee authorized a program audit of the State's financing of the community junior college system. The audit focused on two major areas: the impact and effect of State financing of the colleges, and the adequacy of the Department of Education's supervision in ensuring the legislative intent of State financing is being complied with.



State Financing of the Community Junior Colleges

The audit found that neither the Department of Education nor the community junior colleges themselves could provide adequate and consistent program information about headcount enrollments, course credit hours offered, credit hours receiving State aid, revenues, or expenditures. Without this information, it was impossible to accurately evaluate State financing and determine whether State moneys were being spent for the programs the Legislature intended. A large part of the problem appeared to be that the colleges' current accounting systems, based on funds rather than on programs, do not provide the Department or the Legislature with consistent or comparable financial and program information.

Legislative Post Audit surveyed each college individually to obtain estimated program costs for fiscal years 1973 and 1977 and to determine revenues by program. The results of this survey pointed to the emergence of two relatively clear patterns. First, the survey showed that in fiscal year 1977 the colleges took in \$5.2 million more for their vocational programs than those programs cost and \$2.2 million less for their academic programs than those programs cost--in other words, they made money on their vocational programs and lost money on their academic programs. Because the colleges operated essentially on a breakeven basis that year, the excess vocational revenues apparently were used not only to make up losses for academic programs but also for other purposes the Legislature may not have intended when it appropriated State moneys.

Second, the survey showed some colleges were making money on outreach or outdistrict courses--as much as \$1,500 (including several types of State aid) for a course that cost about \$800 to operate. This incentive has spurred a dramatic increase in outreach course credit hours taught--from 2,320 credit hours in fiscal year 1973 to 32,003 in fiscal year 1977, a 1,279 percent increase. It has also spurred an increase in the number of outreach course requests, but the fact that 1,202 of the 2,087 outreach courses approved for State aid in fiscal year 1977 were not taught because of insufficient enrollments indicates there was little interest in or need for them. Other potential incentives were found in the Department's inconsistent classification of college programs as academic and vocational and in the State's reimbursement rate for colleges that have contractual agreements with area vocational-technical schools.

Because the Legislature has not had this kind of program and financial information available to it in the past, it has been unable to know how State moneys were being spent, whether there was a real need for new programs and courses, and whether funding levels for college programs and courses were, in fact, justified. Regardless of whether the colleges use a financial accounting system based on funds or on programs, this system should be uniform and consistent to provide the Legislature with the kind of information it needs in its decision-making processes.

Supervising the Community Junior College System

The audit found the Department's procedures for approving colleges' programs, courses, and course locations were not sufficient to ensure State funds were being spent the way the Legislature intended. When State aid was first authorized in 1961, the Legislature directed that it be given only to those "courses of study" approved by the Department. The Department's approval is still the basis by which all State aid is given to the colleges; by fiscal year 1977, 90 percent of the colleges' academic and vocational course credit hours received State aid. The audit found, however, that there were several weaknesses in the Department's control over approval procedures. The following are examples of the kinds of problems the audit noted:

- courses that were approved or disapproved based solely on course title
- similar courses that were approved at some colleges and disapproved at others
- courses that received State aid before the Department approved them
- hobby or recreational type courses that received State aid and whose transferability to other four-year colleges and universities is questionable.

--little or no documentation for the criteria the Department used to approve or disapprove course and programs

The audit found the Department's current budget process does not provide the Legislature with enough financial information by college and by program to make sound decisions about the colleges' funding needs. State appropriations are budgeted as part of the Department of Education's budget request, but this budget shows only four line items for the combined totals of each of the four types of State aid the colleges receive.

The audit also found the Department had reviewed and updated the State plan for community junior colleges only once since 1967; the latest plan was issued in December 1977. This plan should be reviewed biennially, should include basic management information, and should be approved by the Legislative Educational Planning Committee and distributed to the Legislature along with the Department of Education's budget request. Together, a more timely and useful State plan and an expanded budget request that includes financial information by college and by program should provide the Legislature with better information about funding needs.

The audit found that the way the Department has chosen to interpret the statutory formula for computing a college's maximum budget permits most colleges with declining enrollments to have higher budgets than the law allows. In fiscal year 1978, five of the 19 colleges exceeded the statutory budget limitation by from one to nine percent. The fact that similar violations occurred in fiscal year 1977 indicates that this is an ongoing problem and that the Department must act to correct it.

Finally, in reviewing certified public accountants' audits of the colleges' financial transactions, Legislative Post Audit found instances of improper deposits and expenditures. These include revenues for adult basic education programs being deposited into and spent from general funds and vocational program expenditures being made from general funds, both in violation of Kansas statutes. The audit guidelines currently in effect are not adequate to ensure improper expenditures and deposits such as these are reported and corrected.

Audit Recommendations and Agency Responses

The draft audit report was sent to the Department of Education. This procedure is followed in the preparation of all audit reports and offers an opportunity for the agency to point out any errors of fact, provide additional information pertaining to the audit's findings, and indicate its agreement or disagreement with the recommendations. The Department's response was signed by the Commissioner of Education. An expanded summary of his 38-page response will be found in Appendix D; the full text of that response has been copied and bound under a separate cover, and sent to the Legislative Post Audit Committee. The following is a listing of the audit's recommendations, a brief summary of the Department's comments about those recommendations, and Legislative Post Audit's replies.

Developing Guidelines and Regulations to Provide Adequate and Consistent Financial and Program Information

1. To provide adequate information for executive and legislative officials in Kansas who are responsible for making financial decisions, the Department of Education, in cooperation with the Department of Administration, should develop the following:
 - a. Fund control regulations and guidelines that clearly specify for all community junior colleges how revenues from State and local sources should be deposited and spent.
 - b. Financial accounting and reporting regulations and guidelines for reporting and auditing financial deposits and expenditures made by the community junior colleges.
 - c. Program management information regulations and guidelines that cover the reporting of credit hours, revenues, and costs by type of program (academic, vocational, adult basic education, and community service) and by type of funding (for example, outreach or outdistrict courses).

These guidelines and regulations should be developed and submitted to the Legislative Post Audit Committee

and the Legislative Educational Planning Committee by December 1, 1978, and should be implemented by July 1, 1979.

2. Once adequate management information becomes available, the Legislative Educational Planning Committee should review the adequacy of the State's method of funding the community junior colleges. During this review, the Committee may wish to consider alternative methods of funding, such as reimbursing a portion of each college's direct operating costs, or uniformly reimbursing credit hours based on actual program costs at all 19 community colleges.

Agency response. The Department indicated existing statutes and guidelines provided specific enough guidance for controlling college funds and for reporting and auditing college expenditures and deposits. Although the Department said it had "no objection to adopting a uniform accounting system based on program cost and generated revenue," it argued that such a system "would severely restrict local board authority," and that the need for such a system did not justify what it would cost the colleges to implement. The response did not indicate what, if anything, would be done regarding the recommendation.

Legislative Post Audit would point out that, given the Department's inability to provide the Legislature with the consistent and adequate information about college program costs and revenues it needs, specific guidelines and regulations need to be developed and followed.

Reviewing and Updating the State Plan

The Department of Education should biennially review and update the State plan for the community junior colleges, which should include such basic management information as program cost and revenue data and program credit hours. Such information should show the progress the Department and the colleges have made toward achieving State educational objectives.

The State plan should be approved by the Legislative Educational Planning Committee. It should also be distributed to the Legislature, together with the Department's budget request, to provide the information needed to make basic budgetary decisions.

Agency response. The Department agreed the State plan should be updated annually, although it did not comment on its failure in the past to do so. It indicated that a steering committee, appointed by the advisory council for community junior colleges, was helping in a new revision of the State plan that would consider "the needs of the Legislature in regard to information needed for budgeting." However, the Department questioned the desirability of having both the Board of Education and the Legislative Educational Planning Committee approve the State plan. Legislative Post Audit would point out that the Legislative Educational Planning Committee is responsible for the planning of all postsecondary education in the State.

Developing and Documenting Approval Procedures and Criteria for College Programs, Courses, and Course Locations

1. To meet the intent of the Legislature for approving vocational and academic courses, the Department of Education, with the approval of the Legislative Educational Planning Committee, should develop written guidelines for uniformly approving vocational and academic courses offered by the State's community junior colleges. These written guidelines should include criteria for reviewing and approving academic and vocational program and course content, teacher qualifications, and locations for courses taught outside the college districts. The Department should also document the criteria it uses when it approves programs, courses, and course locations.
2. The Department of Education should annually publish a list of all courses approved and disapproved for academic or vocational State aid. This list should be distributed to the Legislative Educational Planning Committee, appropriate legislative committees, and the community junior colleges.
3. The Department of Education should review and approve or disapprove all current academic and vocational courses and programs offered at the 19 community junior colleges. This information should be distributed to the Legislative Educational Planning Committee, appropriate legislative committees, and the community junior colleges.

These recommendations should be implemented no later than July 1, 1979.

Agency response. The Department said that it already had guidelines for approving programs, courses, and course locations and that it compiled a list of approved academic and vocational courses. It did not respond to the recommendation to review and approve or disapprove all courses and programs now offered at the colleges.

Legislative Post Audit would note that the Department's response completely ignores evidence presented in the report showing numerous problems with the current approval process. By its response, the Department implied the "guidelines" it now has for approving programs, courses, and course locations are adequate. Legislative Post Audit stands by its recommendation that approval criteria, procedures, and documentation must be improved if the Department's approval of educational programs and courses, the basis by which all State aid is given to the colleges, is to provide adequate controls.

Providing Expanded Budget Request Information

To help the Legislature make more informed budget decisions, the Department of Education should report the following information in its annual budget request to the Legislature:

- program cost data by college and by type of program
- state, federal, and local aid for each college by type of aid and by program
- an explanation of any significant year-to-year changes in program costs at each community junior college

Agency response. The Department said providing program costs and revenues by college and by type of program would require a change in Kansas law because the colleges now deposit revenues and make expenditures from funds designated by statute. The Department also said implementing this recommendation would cause the colleges financial hardships and could "erode the authority of the local boards of trustees." The Department indicated it would take no action on this recommendation unless "the Legislature decides to mandate this (that expenditures and revenues be reported by individual program) in the future," even though earlier in the response the Department said it would not object to adopting a uniform accounting system based on program cost and generated revenue.

Legislative Post Audit would point out that the audit is asking the Department to provide information in a format the Legislature can use to assess funding requests and know how State moneys are being spent. Although the Department should discuss this format with members of the Legislature to make sure it meets their needs, no legislative mandate would be needed to keep and report information by college and program as well as by fund.

Changing Procedures for Computing the General Fund Budget Limitation

So that community junior colleges with declining enrollments will not have higher budgets than allowed by law, the Department of Education should comply with the provision of K.S.A. 1977 Supp. 71-612 that limits on a per-student basis the maximum general fund budget a college may receive or spend. In addition, the Legislative Educational Planning Committee should review both the Department's procedure for computing the maximum budget and the monetary impact of that procedure. Based on its review, the Committee should work with the Revisor of Statutes' Office to clarify K.S.A. 1977 Supp. 71-612 and 71-611(c), which defines the procedure for computing a college's budget-per-student.

Agency response. The Department maintained its procedures for computing the maximum general fund budget were consistent with Kansas statutes. Legislative Post Audit would point out that the effect of the Department's current procedure for computing a college's maximum budget has permitted colleges with declining enrollments to receive a higher maximum budget than the law allows and to receive proportionally more money than colleges with stable enrollments. The report's recommendation was changed to more specifically address problems with the results of the Department's procedure rather than the procedure itself.

Ensuring Greater Accountability of State Funds

The Department of Education, together with the Division of Accounts and Reports' Municipal Accounting Section, should clarify and enforce existing guidelines for audits of the State's community junior colleges to help ensure adequate accountability of State funds. These guidelines should be implemented by July 1, 1979.

Agency response. The Department said it already had existing audit guidelines that certified public accountants were required to follow. "The importance of these guidelines is stressed at the annual community junior college workshops conducted by the Department," the response said. "Unfortunately, knowledge does not always denote compliance." The response did not indicate what action, if any, the Department intended to take to clarify and enforce those guidelines.

Matters Remaining for Legislative Attention

The Department of Education indicated a general disagreement with most of the audit's recommendations and did not respond directly to a number of recommended actions. The recommendations in the audit can be used by the Legislative Post Audit Committee and the Legislative Educational Planning Committee as starting points for determining what actions the Department of Education and the colleges must take to provide the necessary financial information and controls.

Recommended Committee Action

The Legislative Post Audit Committee should proceed with consideration of the audit's recommendations and any other recommendations it considers appropriate.

TABLE OF CONTENTS

	<u>Page</u>
I. Introduction	1
Audit Purpose, Scope, and Objectives.	2
Audit Methods and Organization.	3
II. Development of the State's Role in Financing and Administering the Community Junior College System in Kansas.	5
Organization and Development of the Community Junior Colleges.	5
State Financing of the Community Junior Colleges: Legislative Intent and History. . .	9
Effect of New Legislation on Increases in State Aid	10
III. Financing Community Junior College Programs.	13
State Appropriations for Educational Programs	15
Accounting for Expenditures by Fund	16
Determining Program Information Through the Use of a Survey.	16
Costs and Revenues for Academic and Vocational Programs	18
Conclusion.	19
Determining Financial Incentives.	19
Financial Incentives to Offer Outreach Courses	20
Incentives in Nonuniform Program Classifications.	20
Incentives for Area Vocational- Technical School Contractual Agreements	21
Conclusion.	22

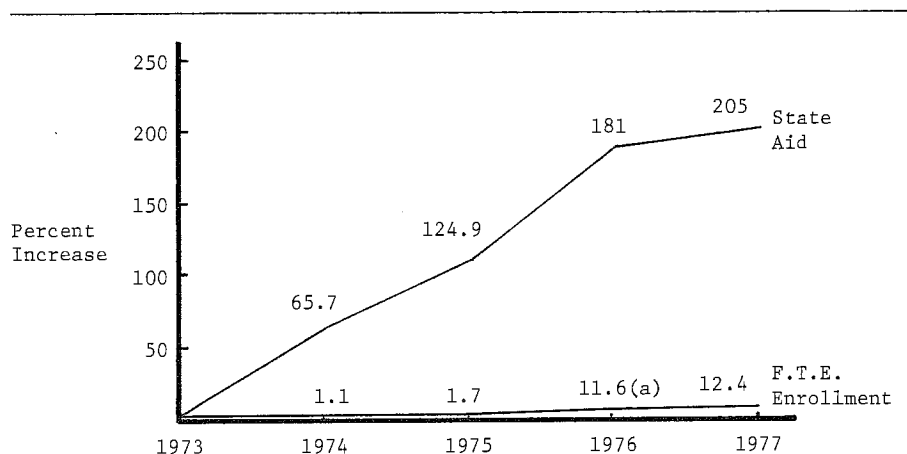
	<u>Page</u>
Uniform Accounting System	23
Inconsistent Reporting Practices.	24
Conclusion	25
Recommendations.	26
IV. Supervision of the Community Junior Colleges.	29
A State Plan for the Community Junior College System.	30
Recommendation.	30
Approval of Education Programs, Courses, and Course Locations.	31
Approval Procedures and Criteria.	31
Controlling State Aid Through Course Approval.	33
Controlling Course Content.	34
Conclusion.	35
Recommendations	35
Review of the Community Junior College Budgets	36
Budgeting for State Aid	36
Recommendation.	37
Limiting the General Fund Budget.	37
Recommendation.	39
Audits of College Financial Statements and State Credit Hour and Outdistrict Aid Reports	39
Recommendation.	40
Appendix A: Program Costs and Revenues Provided on the Community Junior College Survey.	41
Appendix B: Outreach Courses.	43
Appendix C: Calculation of General Fund Budget Limitation	45
Appendix D: Agency Response	47

CHAPTER I

INTRODUCTION

There are 19 community junior colleges in Kansas, which make up about one-third of the institutions in the State's postsecondary education system. These colleges, which are under the general supervision of the Department of Education, are financed by local, federal, and State funds. State financial aid to the community junior colleges, first authorized in 1961, has increased substantially over the past five years. For fiscal year 1973, State aid to the colleges totaled \$4.1 million; by fiscal year 1977, the amount had risen to \$12.5 million, a 205 percent increase. During this same time, full-time equivalent enrollment at the colleges increased only 12 percent, from 15,555 to 17,489. Figure I-1 illustrates the growth of State aid compared with enrollment levels since fiscal year 1973.

Figure I-1
Percent Increases in State Financial Aid and Enrollment
Community Junior Colleges
Fiscal Years 1973-1977



Developed by Legislative Post Audit from records of the Department of Education and the Division of the Budget and from Kansas Higher Education Trends by Anderson, Smith, and Havlicek, December 1976.

(a) This increase resulted from a change in the enrollment reporting procedures. As of Fall 1975, students enrolled in hours taught outside the college districts (outreach) were included in enrollment levels.

Although the amount of federal aid to the colleges has remained fairly constant, the share of local funds, including taxes, tuition, and fees, has declined from 79 percent to 68 percent of the total revenues, and the State's share of these revenues has risen from 18 percent to 29 percent of the total.

This dramatic increase in the State's share of aid and the accompanying decrease in the local share of tax support for the community junior colleges raised legislative concern about the effects of various State aid provisions on the community junior college system. Because of this concern, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a program audit of the State's financing of the community junior colleges. The audit was conducted under the Legislative Post Audit Act, which provides for evaluations of a program's efficiency and effectiveness as the basis for changes necessary to improve the program.

Audit Purpose, Scope, and Objectives

This audit was undertaken to evaluate the effect of State financial aid on the types and numbers of educational programs and courses offered by the community junior colleges. The audit attempted to answer the following questions:

1. What was the intent of the Legislature regarding State financing of community junior colleges?
2. What effect has State financing had on the types and numbers of academic and vocational programs offered by the colleges?
3. How can the methods of State financing and financial control of the community junior colleges be improved?

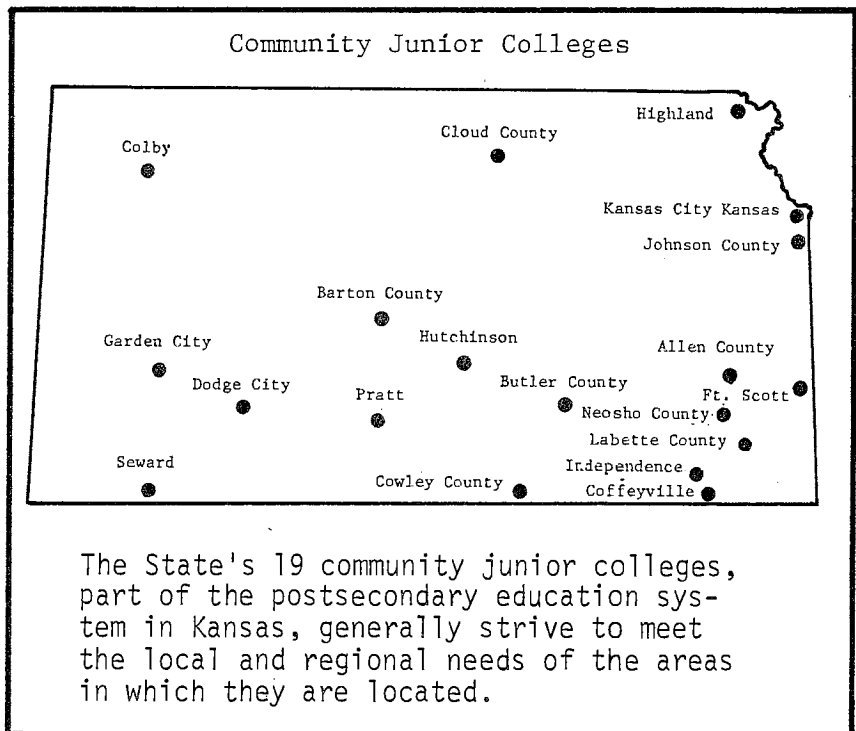
In addition, because the auditors found early in the audit that it was difficult to adequately assess the impact of State financing of the community junior colleges, Legislative Post Audit also attempted to answer the following question:

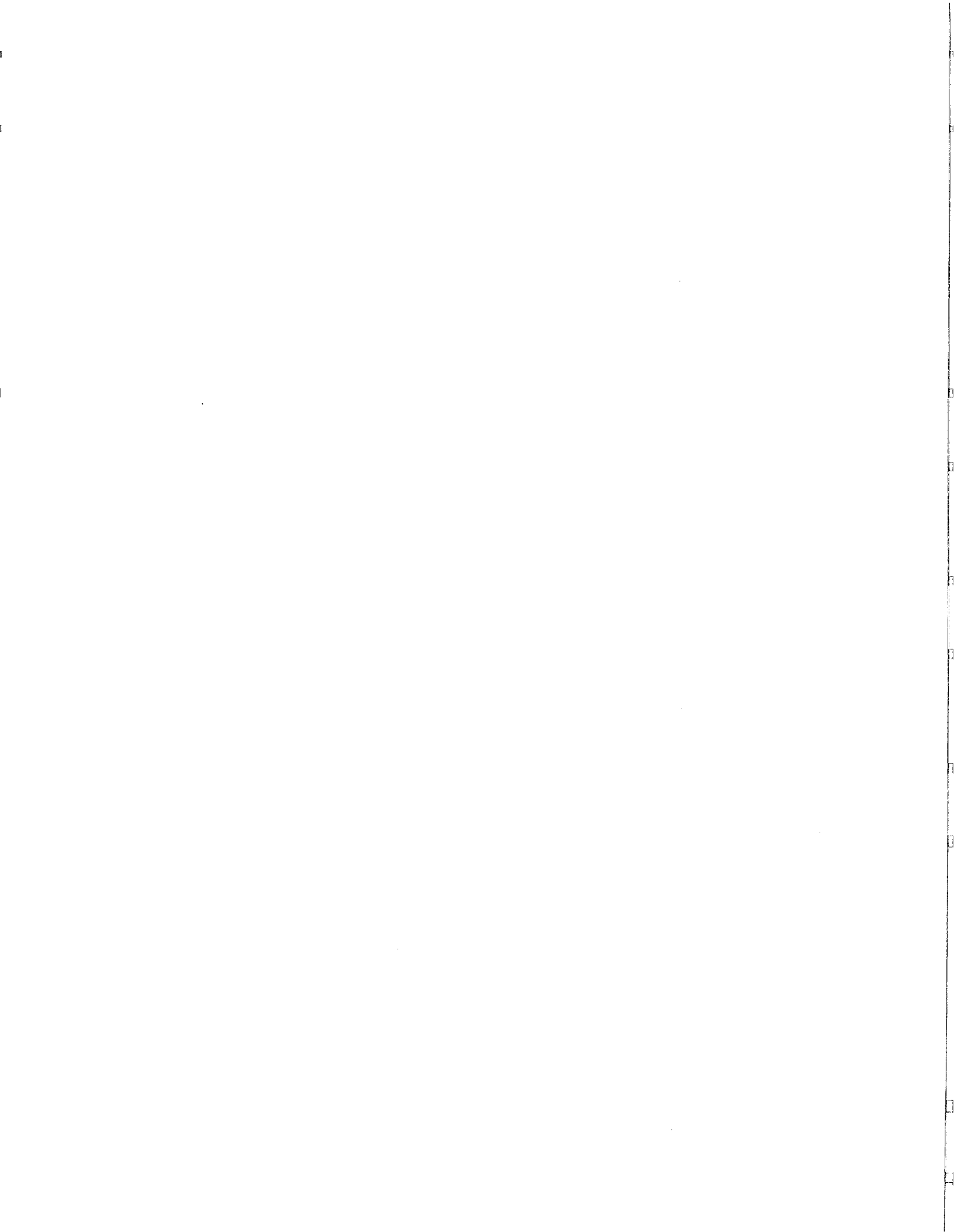
4. How well is the Department of Education providing the necessary supervision to ensure that the legislative intent of State financing is being complied with?

Audit Methods and Organization

To determine the Legislature's intent in financing the community junior college system, Legislative Post Audit reviewed statutes, legislative committee minutes, budget documents, files of the Department of Education, and other historical information about the State's financing of community junior colleges. Because neither the colleges nor the Department of Education had adequate financial information on a program basis, Legislative Post Audit designed a detailed survey and visited each of the 19 colleges to collect consistent program information that might help assess the effect of State aid on those programs.

Chapter II of this audit report summarizes both the legislative intent and the development of the State's financing of community junior colleges. Chapter III discusses the effect of State aid on the colleges' academic and vocational programs, and Chapter IV examines the Department's role in providing adequate supervision to ensure compliance with the legislative intent of State financing.





CHAPTER II

DEVELOPMENT OF THE STATE'S ROLE IN FINANCING AND ADMINISTERING THE COMMUNITY JUNIOR COLLEGE SYSTEM IN KANSAS

Organization and Development of the Community Junior Colleges

Initially, the community junior college system in Kansas began as an extension of the State's high schools. In 1917, the Kansas Legislature passed K.S.A. 72-3301, allowing high schools to extend their course of study to include grades 13 and 14. The law directed that the State Board of Education "prescribe the course of study for the high school extension" to help ensure that what was offered by the colleges was "approximately equivalent to the course of study in the first and second years of accredited colleges." Under this law, the community junior colleges were funded locally and governed by local boards of education.

As enrollments and program offerings increased over the years, the colleges' costs began to rise as well, and efforts were made to find additional sources of revenue. In 1925, for example, a proposal narrowly failed that would have provided State financing of up to \$100 annually per student enrolled in high school extension study. Finally, in 1961, the Legislature did authorize State aid to help finance the colleges. This State aid has increased over the years until it is now \$12.5 million, or 29 percent of the colleges' total revenues for fiscal year 1977.

In 1965, the Legislature passed the Community Junior College Act (K.S.A. 1977 Supp. 71-201 et seq.), which was intended to establish a uniform State system of community junior colleges. Boards of trustees were established to replace local school district boards, and the Board of Education was made responsible for establishing policies regarding the planning and coordination of the community junior college system as a whole. The Department of Education became responsible for carrying out the Board of Education's policies in such areas as establishing a State plan for the colleges, evaluating, approving, and coordinating programs and courses, and distributing State and federal aid.

In addition, in 1974 the Legislature created the Legislative Educational Planning Committee to plan and coordinate the State's postsecondary education system, including the community junior colleges. The Committee was specifically directed to develop a State-wide plan to improve postsecondary education programs in the colleges. To do so, and to meet the objectives of legislative oversight, the Committee works closely with the Board of Education and the Board of Regents.

Over the years, the types of courses and programs offered by the community junior colleges have come to include not only a wide range of academic and vocational programs, but also community service and adult basic education programs to help meet the special educational needs of the college communities. Briefly, the four types of programs can be described as follows:

Academic Programs--provide the first two years of a four-year program in the humanities and behavioral and natural sciences. These programs are part of a formal degree or certificate curriculum.

Vocational Programs--are designed to provide employable persons with entry-level skills in various vocational and technical areas. These programs can also be part of a formal degree or certificate curriculum.

Adult Basic Education Programs--provide a variety of short- and long-term secondary courses to adults without high school degrees. No college credits are awarded for these programs.

Community Service Programs--are hobby or recreational in nature. The courses are noncredit.

The programs and courses offered by the colleges have continued to attract more and more students over the years, especially on a part-time basis. Table II-1 on the following page lists the Fall 1976 headcount and full-time equivalent enrollment figures for each college and shows how these figures have changed in the past five years. As the table shows, nearly half the colleges' full-time equivalent enrollment of 17,489 was in four of the 19 colleges--Butler County, Hutchinson, Johnson County, and Kansas City Community Junior Colleges. Enrollment levels have declined at Butler County and Hutchinson over the past five years, but have increased at Johnson County and Kansas City by as much as 28 percent. Headcount enrollment levels generally rose much more substantially during the same five-year period, indicating the colleges have more part-time students and students taking reduced course loads. More than half

Table II-1
Full-Time Equivalent and Headcount
Enrollment Levels
Community Junior Colleges
Fall 1976

Community Junior College	Headcount Enrollment (a)		F.T.E. Enrollment	
	Fall 1976	Percent Change Since Fall 1972	Fall 1976	Percent Change Since Fall 1972
Allen County	676	20%	455	0%
Barton County	1,384	34	786	1
Butler County	1,774	12	1,075	(10)
Cloud County	585	(0.1)	573	0.4
Coffeyville	744	8	616	0.3
Colby	1,735	97	960	25
Cowley County	1,344	98	672	16
Dodge City	1,661	119	978	30
Fort Scott	814	29	544	5
Garden City	1,456	45	930	18
Highland	1,005	169	595	61
Hutchinson	2,361	6	1,912	(7)
Independence	973	54	590	17
Johnson County	4,957	34	2,925	24
Kansas City	3,138	46	2,047	28
Labette County	736	45	497	26
Neosho County	559	22	425	7
Pratt	898	59	506	12
Seward	938	55	403	3
Total/Average Percent	<u>27,738</u>	41%	<u>17,489</u>	12%

(a) In its 1970 report, The Open-Door Colleges: Policies for Community Colleges, the Carnegie Commission on Higher Education noted that "for the sake of quality of program, economy of operation, and easy availability, state plans should provide for community colleges generally ranging in size from about 2,000 to 5,000 daytime students, except in sparsely populated areas where institutions may have to be somewhat smaller..."

Developed by Legislative Post Audit from Kansas Higher Educational Trends, Anderson, Smith, and Havlicek, December 1976.

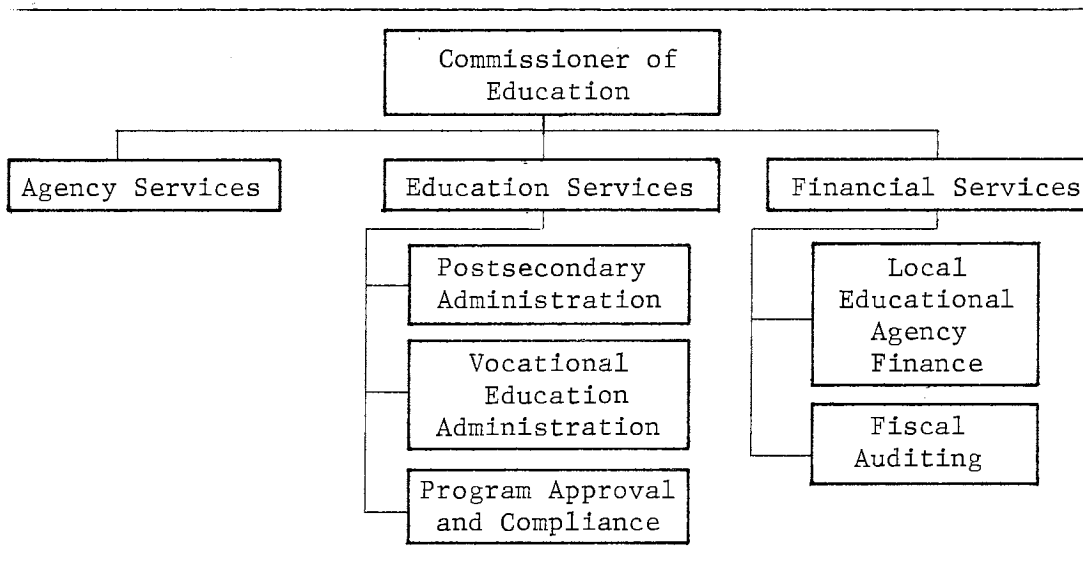
the colleges' total Fall 1976 headcount enrollment of 27,738 was in just six colleges--those listed previously plus Colby and Dodge City Community Junior Colleges. At these six colleges, the increase in the headcount enrollment figures ranged from six percent at Hutchinson to 119 percent at Dodge City; for the 19 colleges as a whole, headcount enrollments rose 41 percent.

The primary responsibility for administering the State's community junior college system rests with the Department of Education. It is important, therefore, to understand how the Department is organized. It is divided into three Divisions--Agency Services, Ed-

ucational Services, and Financial Services. The Postsecondary Administration Section, located within the Division of Educational Services, is responsible for the actual supervision of the community junior colleges (approving programs and courses for State aid and implementing the State plan for community junior colleges). Figure II-1 below illustrates the divisions and sections within the Department of Education that are responsible for supervising community junior colleges.

As the figure shows, various other sections within the Department of Education's divisions are also involved in supervising the operations of the colleges. These Sections--Vocational Education Administration, Program Approval and Compliance, Local Educational Agency Finance, and Fiscal Auditing--work with the Postsecondary Administration Section to help approve programs and courses, review general fund budgets and expenditures, compute and distribute funds, and audit State aid claims made by the colleges. These different functions affect the community junior colleges and must be coordinated within the Department of Education.

Figure II-1
Organizational Chart
Department of Education



Developed by Legislative Post Audit from Department records.

State Financing of the Community Junior Colleges:
Legislative Intent and History

The State helps finance the operations of 40 public institutions of higher education in Kansas. These institutions are the 19 community junior colleges, six State universities, 14 area vocational-technical schools, and Washburn University in Topeka.

The Legislature has authorized four types of State aid to help support community junior college programs: credit hour aid, out-district aid, vocational categorical aid, and adult basic education aid. Of the colleges' four program areas, only community service programs are funded locally and receive no direct State aid. Reflecting the Legislature's intent, the Board of Education's policy designates such programs as a local responsibility.

State aid for the community junior colleges was first authorized in 1961 at the rate of \$3 for each academic credit hour approved by the Department of Education. One of the Legislature's objectives in providing this aid was to help ensure the coordination and integration of the community junior colleges into the State's postsecondary education system. In 1966, the Department adopted Kansas Administrative Regulation 91-8-22, making approved vocational programs eligible for credit hour aid as well.

In 1969 the Legislature passed K.S.A. 1977 Supp. 72-4408, authorizing State vocational categorical aid and making the colleges' vocational programs eligible to receive federal matching funds. This State vocational aid was intended to provide financial relief for the State's vocational education programs. To be eligible for the varying amounts of federal matching funds, the vocational programs had to meet certain federal standards in such areas as enrollment levels and teacher qualifications.

Both academic and vocational courses became eligible for out-district State aid when it was authorized in 1973. Counties outside a community junior college district (the county in which the college is located) must pay outdistrict tuition for students from their counties who attend that college. To help relieve the counties' property taxes, the Legislature authorized the State (through out-district aid) to pay half the amount of outdistrict tuition that the counties owed to the colleges.

With the passage of K.S.A. 1977 Supp. 72-4517 et seq. in 1974, State financing was granted for adult basic education programs at the community junior colleges. As with vocational categorical aid, the impetus for this aid was federal legislation that required State

and local funds to provide at least 10 percent of the financial support for adult basic education programs. The colleges then became eligible to receive federal matching funds for the remainder of their programs' operations (up to 90 percent). With this aid, the Legislature intended to maintain and develop adult basic education programs on a State-wide basis and to provide financial relief for local districts.

Effect of New Legislation on Increases in State Aid

Senate Bill 657, passed during the 1978 legislative session, will increase State financial aid to community junior colleges effective July 1, 1978. According to the Legislative Research Department, the total effect of this bill will be a \$3.1 million increase in State aid.

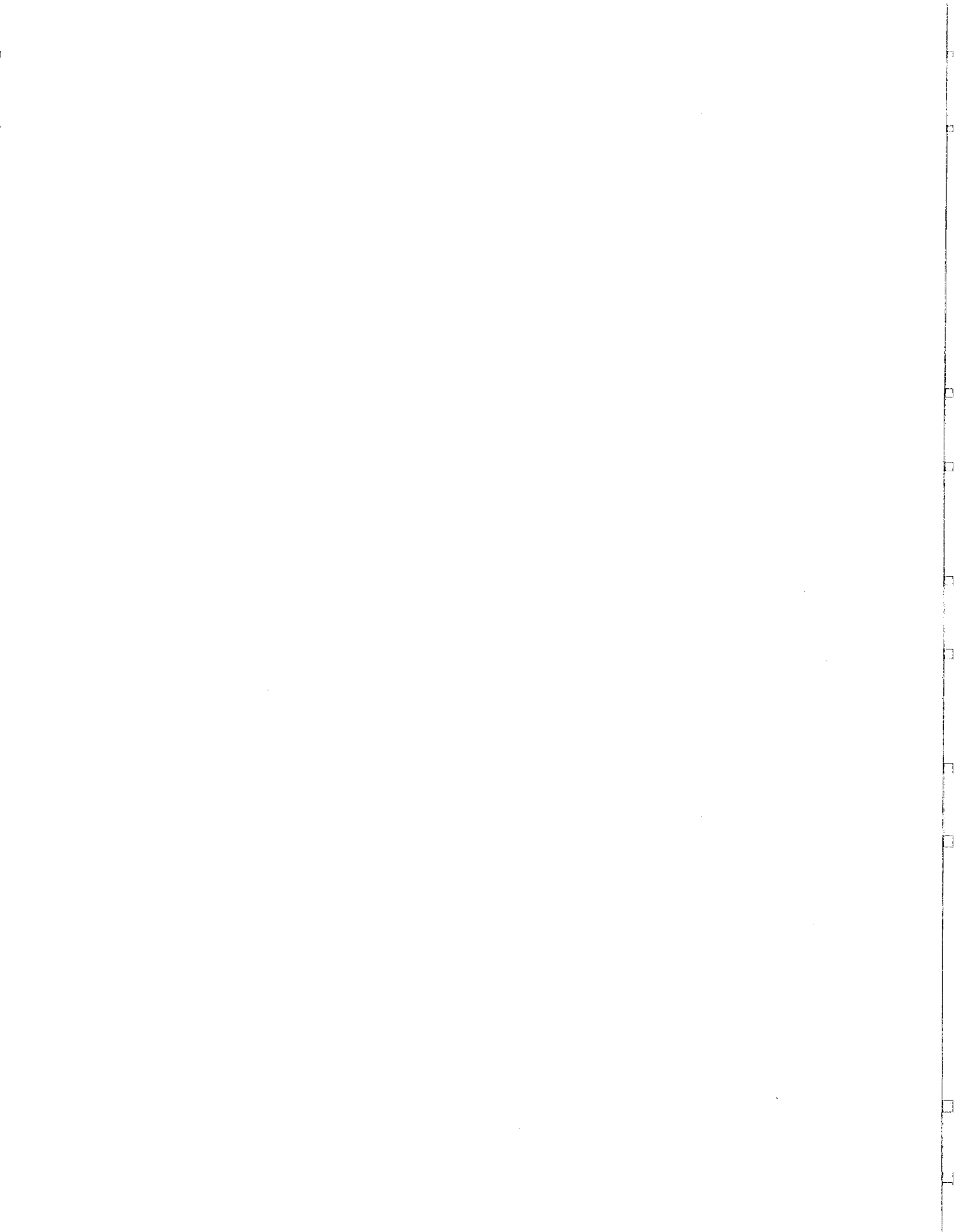
Currently, State credit hour aid for both academic and vocational programs is \$16.50 per credit hour. The new legislation will increase credit hour aid to \$21 per credit hour for academic programs and to \$31.50 per credit hour for vocational programs. According to the Legislative Research Department's Fiscal Year 1979 Budget Analysis, the rationale for funding academic and vocational programs at different levels is based on the premise that vocational programs are more costly than academic programs. Because of the differential funding, the colleges must be able to identify by program the number of credit hours they offer.

Outdistrict State aid is also affected by the new legislation. Instead of providing outdistrict aid differently for each community junior college based on individual operating and maintenance costs, as is now done, the bill will provide one rate of \$21 per credit hour for outdistrict State aid. Under the system in effect during fiscal year 1977, the average outdistrict State aid rate was \$17.38 per credit hour.

In addition, Senate Bill 657 provides State funding of \$11 per credit hour for all students taking indistrict courses who have accumulated more than 64 hours (72 hours for nursing and engineering students). Previously, no credit hours over this 64-hour maximum accumulation received State credit hour aid. The bill also eliminates community junior college participation in State and federal vocational categorical aid programs.

In fiscal year 1977, the colleges received an average of \$34 in State aid for each academic outdistrict credit hour and \$41 for each vocational outdistrict credit hour. Under the new legislation, community junior colleges can receive as much as \$42 in State aid for

each academic outdistrict credit hour taught--\$21 in both credit hour and outdistrict aid. Each vocational outdistrict credit hour could generate as much as \$52.50 in State aid--\$31.50 in credit hour aid and \$21 in outdistrict aid.

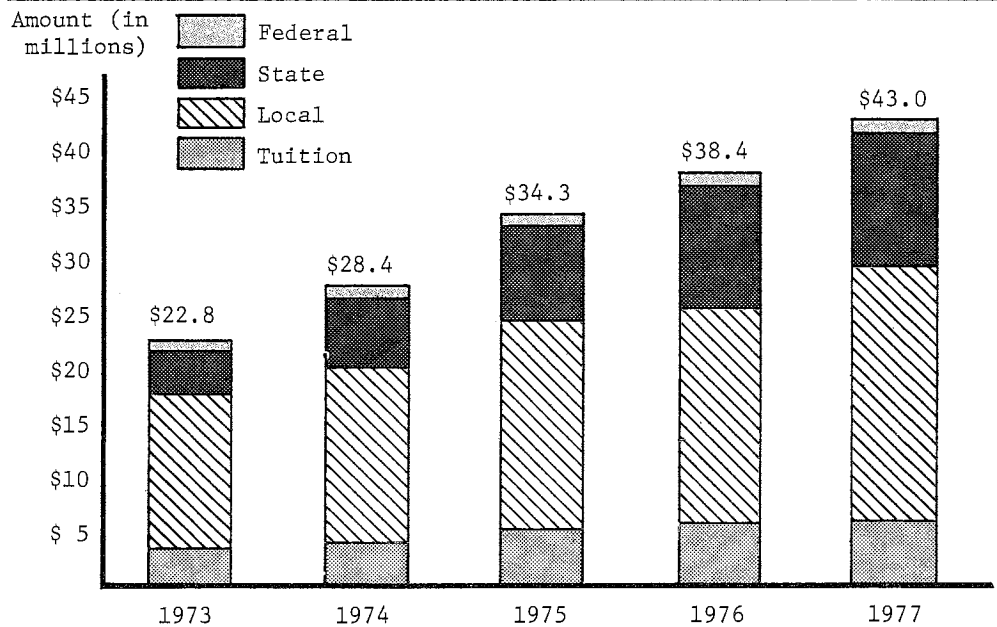


CHAPTER III

FINANCING COMMUNITY JUNIOR COLLEGE PROGRAMS

In the last five years, total revenues for the community junior colleges increased 89 percent, from \$22.8 million in fiscal year 1973 to \$43 million in fiscal year 1977. During that same period, State financial aid to the community junior colleges increased 205 percent, from \$4.1 million to \$12.5 million. Perhaps even more significant, however, is the fact that the State's share of these revenues has increased from 18 percent to 29 percent of the total. Figure III-1 shows the distribution of revenues for the 19 colleges.

Figure III-1
Sources of Revenue
Kansas Community Junior Colleges
Fiscal Years 1973-1977



Developed by Legislative Post Audit from records of the Department of Education and the Division of the Budget, 1973-1977.

Local revenues rose from \$18.1 million in fiscal year 1973 to \$29.3 million in fiscal year 1977; however, these revenues have actually declined as a percent of total revenues in the last five years, from 79 percent to 68 percent. Federal aid has remained fairly constant, accounting for approximately three percent of the colleges' total revenues.

The method used to finance the State's community junior college system is complex. Local financial aid consists largely of moneys from local property taxes, student tuition and fees, and county out-district tuition payments. Most federal funds community junior colleges receive are for vocational and adult education programs. State financing, largely determined by a number of different statutes and statutory formulas, is given for the four major types of aid as follows:

State Credit Hour Aid. This aid, distributed by the Department of Education for academic and vocational programs, is figured on the basis of a statutorily-established flat rate formula. The current credit hour aid rate is \$16.50 per approved credit hour.

Outdistrict State Aid. The statutory formula for this aid is extremely complex. It is computed on the basis of the average maintenance and operating costs a college incurs in educating a student, again just for academic and vocational programs.

Vocational Categorical Aid. This aid is distributed for vocational programs according to a formula established by the Board of Education in its State vocational plan. The Legislature provides no guidelines for its distribution to the colleges.

Adult Basic Education Aid. The Department distributes this aid for adult basic education programs. State moneys, together with local funds, provide at least 10 percent of the financial support for these programs on a matching basis, with the remainder being supplied by federal funds.

As noted in Chapter II, legislation passed by the 1978 Legislature and effective July 1, 1978, will increase State credit hour aid for academic and vocational programs to \$21 and \$31.50, respectively; will provide one rate of \$21 per credit hour for outdistrict State aid; and will eliminate vocational categorical aid to the colleges.

Although this report deals only with these four types of aid, the colleges do receive other State funds from such sources as the

local ad valorem tax reduction. For fiscal year 1977, other sources of State funds amounted to \$1.2 million. The amounts given that year in the four main categories of State aid were as follows:

	<u>Amount of State Aid</u>	<u>Percent of Total</u>
Credit Hour	\$ 7,379,478	65%
Outdistrict	3,045,589	27
Vocational Categorical	870,002	7
Adult Basic Education	49,025	1
Total	<u>\$11,344,094</u>	<u>100%</u>

State aid appears to have increased dramatically over the past few years for two major reasons: an increase in the number of credit hours taught by the colleges and an increase in reimbursement rates for State credit hour and outdistrict aid. More than three-fourths of the increase came from these increased rate reimbursements. Between fiscal years 1973 and 1977, the State credit hour aid rate rose from \$8 to \$15.50 per approved credit hour, and credit hour aid payments rose from \$3.4 million to \$7.4 million, an increase of 118 percent. Outdistrict State aid jumped from \$2.1 million when it was first distributed in fiscal year 1974 to more than \$3 million in fiscal year 1977, an increase of 43 percent in four years.

During the review of State financing of the colleges, Legislative Post Audit attempted to answer the following:

1. Have State funds that were appropriated for college programs been spent on the intended programs?
2. What financial incentives have resulted from the State's financing method for community junior colleges?

Because the colleges' academic and vocational programs received more than 99 percent of the total State aid, Legislative Post Audit chose to examine only these two programs in detail.

State Appropriations for Educational Programs

Legislative Post Audit requested program information from the Department of Education and the individual community junior colleges about headcount enrollments, course credit hours offered and hours receiving State aid, and revenues and expenditures. This program information was considered necessary to evaluate State financing of the community junior colleges and to determine whether State moneys

were being spent for the programs the Legislature intended.

In the initial stages of the audit, however, Legislative Post Audit discovered that the Department and the colleges could only provide total figures for headcount enrollments, credit hours, and revenues and expenditures by type of fund for each college in fiscal years 1973 and 1977. They could not provide the financial and program information necessary to determine the effect of State financing on academic and vocational programs. As for State aid, the Department of Education and the Division of Accounts and Reports could provide total dollar amounts for the four different types of aid given to the colleges, but they could not separate out this information by program.

In general, neither the colleges nor the Department of Education could provide adequate program information because they do not account for the colleges' expenditures by program. For this reason, Legislative Post Audit designed a survey to help provide comparable financial and program information for the 19 colleges.

Accounting for Expenditures by Fund

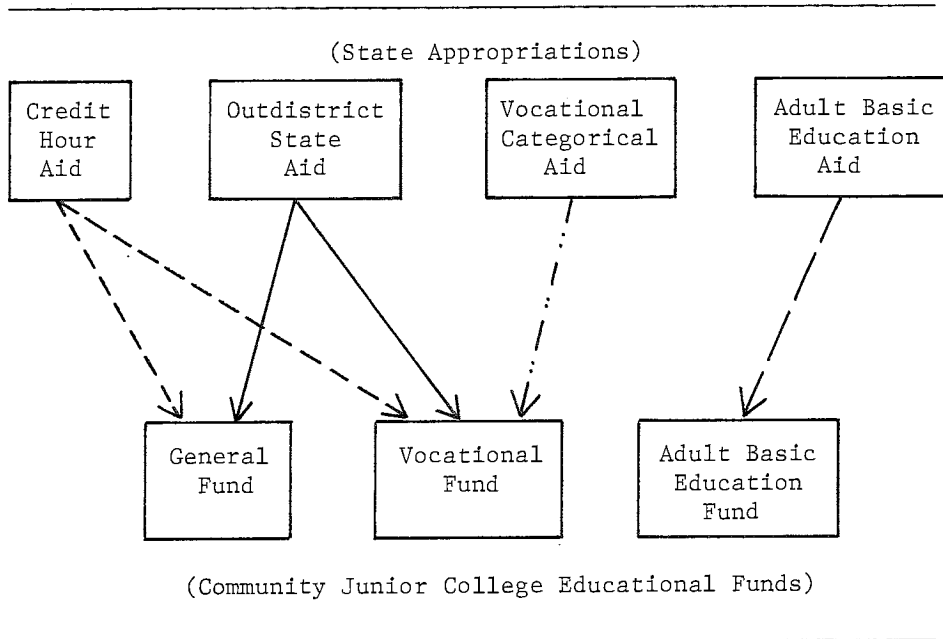
Under the current method of State financing, the Legislature has intended to support the educational programs of the community junior colleges. However, the colleges deposit and spend these State moneys by fund--general fund, vocational fund, and adult basic education fund. All direct expenses for academic programs are paid from the colleges' general funds. Figure III-2 on the following page illustrates the relationship between the State's financing method and the colleges' funds.

At first glance, the colleges' funds and programs might appear to be approximately equivalent or interchangeable. But because of differences in the way funds are deposited and spent, they are not. Student tuition, county outdistrict tuition, State credit hour and outdistrict aid, and local property taxes are deposited in either the colleges' general funds or their vocational funds. Because at least some operating expenditures for all college programs are paid out of the general fund, however, it was impossible to accurately determine the expenditures for each program or to determine whether State moneys are being spent for the programs the Legislature intended.

Determining Program Information Through the Use of a Survey

To help provide adequate program information and measure the effect of State financing on the colleges' educational programs, Legislative Post Audit designed a survey instrument that asked administrators at each college to estimate program costs for fiscal years 1973 and 1977. To try to determine revenues by program, auditors

Figure III-2
 General Flow of State Appropriations
 Into Community Junior College Educational Funds
 Fiscal Year 1977



Developed by Legislative Post Audit.

then reviewed student transcripts and developed ratios that could be applied to the revenue totals the colleges had provided earlier.

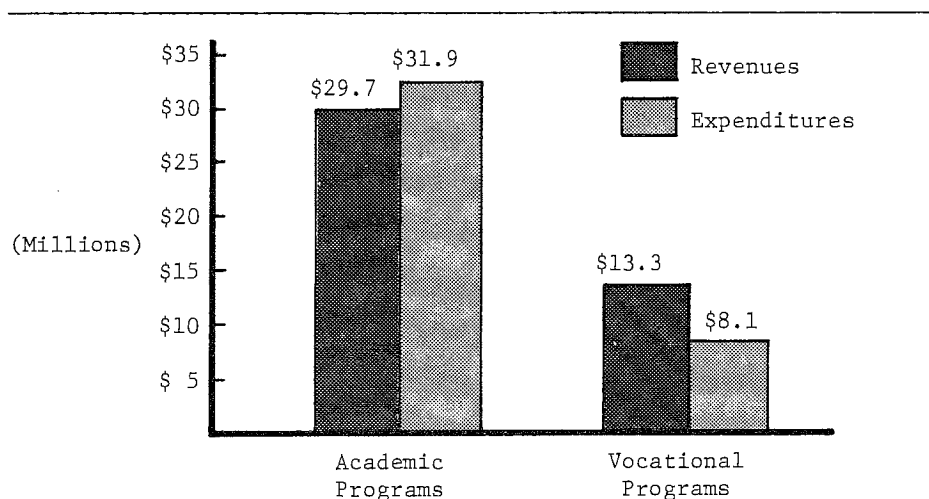
Significant portions of the credit hour and program cost information provided by the Department of Education did not agree with similar types of information provided by the colleges for Legislative Post Audit's survey. For example, for fiscal year 1977 Hutchinson Community Junior College reported costs on the survey of \$821,213 for its vocational programs; the Department had reported \$597,289. The 19 colleges combined reported vocational program costs of \$7.1 million; the Department's total for them was \$6.2 million.

An analysis of the survey data provided an insight into the effect of State financing on the colleges, and certain patterns for the system as a whole began to emerge. Perhaps most importantly, the information reported by the colleges indicated that the colleges' academic programs are losing money while their vocational programs are making money.

Costs and revenues for academic and vocational programs. For fiscal year 1977, certified public accountants' reports and financial information the colleges reported to the Department of Education indicated that the State's community junior colleges were operating essentially on a breakeven basis; that is, total revenues were approximately equal to total costs. For example, the Department's fiscal year 1977 report, Statistical and Financial Information of Kansas Community Junior Colleges, showed that the colleges' total revenues were \$43 million and total expenditures were \$42.5 million, or an average difference of only about \$26,000 per college.

However, after the survey broke out cost and revenue information by program, it was found that academic programs at the colleges cost \$2.2 million more than the revenues received for those programs. During fiscal year 1977, total costs for academic programs were \$31.9 million; total revenues were only \$29.7 million. In contrast, vocational programs received \$5.2 million more in revenues than they cost to operate. For fiscal year 1977, these total revenues were \$13.3 million and total costs were \$8.1 million. The amount of excess revenues generated for vocational programs ranged from \$21,326 at Allen County Community Junior College to \$1.7 million at Johnson County Community Junior College. Figure III-3 illustrates the differences between the total revenues and expenditures for the colleges'

Figure III-3
Total Program Costs and Revenues
Community Junior Colleges
Fiscal Year 1977



Developed by Legislative Post Audit from a survey of the community junior colleges.

academic and vocational programs in fiscal year 1977. Appendix A presents the total revenue and cost figures developed through the survey instrument for each of the 19 colleges, by academic and vocational programs.

Because the colleges have accounted for expenditures by fund rather than by program, the State has had no way of knowing whether State funds allocated for vocational programs were being spent on those programs. Once cost and revenue program information from the survey was analyzed, however, two apparent findings emerged. First, because the colleges operated essentially on a breakeven basis, it appeared obvious that the \$5.2 million excess in vocational revenues must have been used to help fund academic or other programs. Second, even if the \$5.2 million excess in vocational funds were used to make up the \$2.2 million difference in revenues and costs for academic programs, there was still \$3 million in excess vocational funds that the colleges may have used for purposes other than those intended by the Legislature. State aid is given to the colleges to help fund their educational programs. When program revenues exceed costs, in this instance by as much as \$3 million, the State may need to reconsider whether the current or proposed levels of funding are justified and whether controls exist that would help ensure State moneys are being spent only for the purposes the Legislature intended and authorized.

Conclusion

Without adequate and consistent information on colleges' program costs and revenues, it is impossible to accurately determine whether State aid to the colleges is being spent on programs for which it was allocated. Through cost and revenue program information developed from a survey instrument, Legislative Post Audit was able to determine that excess revenues for vocational programs are being used not only to help fund academic programs, which are losing money, but also for purposes the Legislature may not have intended.

Determining Financial Incentives

An analysis of the program cost and revenue information obtained from the survey instrument also indicated that financial incentives have resulted from the State's financing method for community junior colleges, particularly for outreach courses. Possible or

potential incentives were noted in the inconsistent manner in which the colleges classified programs as academic and vocational, and in the State's reimbursement rate for colleges that have contractual agreements with area vocational-technical schools.

Financial Incentives to Offer Outreach Courses

Since the authorization of outdistrict State aid the number of outreach courses, or those courses taught outside the college district, has increased sharply. For example, between fiscal years 1972 and 1977, the number of outreach courses offered by Fort Scott Community Junior College increased from one to 89; State outdistrict aid payments at Fort Scott rose from \$64,000 in 1974 (when outdistrict aid was first distributed) to \$144,000 in 1977, an increase of 129 percent. Appendix B lists the number of outreach courses and credit hours for each college and shows these course revenues for fiscal years 1973 and 1977.

According to figures supplied by the Department and the survey, the number of outreach credit hours taught at all 19 colleges has risen quite dramatically, from 2,320 in fiscal year 1973 to 32,003 in fiscal year 1977, an increase of 1,279 percent. Had the State been paying half the counties' outdistrict tuition payments in fiscal year 1973, as it is now, the total State aid to outreach courses for fiscal year 1973 would have been \$48,508; by fiscal year 1977, this aid had risen to \$879,966.

Information provided for the survey disclosed that the colleges are making money on their outreach courses. In fiscal year 1977, for instance, the average cost of operating an outreach course with 10 students was \$800; however, such a course can generate more than \$1,500 in revenues, including State credit hour and outdistrict aid.

Although there may be a number of legitimate reasons for the increase in the number of outreach courses, such as an expressed need in the community, it would still appear that the method of reimbursing the colleges is providing a financial incentive for them to offer more outreach courses, thus attracting more students and receiving more outdistrict State aid. It is important that the Department of Education provide the necessary control to help ensure that the need for such courses does in fact exist.

Incentives in Nonuniform Program Classifications

In reviewing the colleges' program classifications, Legislative Post Audit identified at least five programs that were not classified

uniformly at many of the colleges. For example, eight colleges taught welding as an academic program and five taught it as a vocational program; four of these thirteen colleges taught welding as both an academic and a vocational program. Similar problems were noted with the colleges' programs for police science, data processing/computer science, agri-business, and technical drafting/mechanical drafting.

One reason the colleges gave for classifying welding programs as academic was that they did not want to have to meet the federal guidelines requiring certain enrollment levels and teacher qualifications for vocational programs. Such a practice may encourage the colleges to offer what might not be legitimate vocational programs as academic programs to avoid meeting the more rigid federal guidelines, because there are no federal guidelines for academic programs.

Now that legislation has been passed to fund vocational programs at one and one-half times the credit hour rate of academic programs, the incentive could be reversed, encouraging colleges to offer more vocational programs despite rigid federal guidelines to receive the higher rate of State credit hour aid (\$31.50 compared with \$21 per credit hour). Because of these incentives, the Department of Education and the colleges need to establish and adhere to uniform criteria for consistently classifying programs as either academic or vocational.

Incentives for Area Vocational-Technical School Contractual Agreements

The Kansas Legislature appropriates money for vocational programs offered by unified school districts, community junior colleges, and area vocational-technical schools. Table III-2 on the following page shows the average amount of State vocational categorical aid given for vocational programs at community junior colleges and area vocational-technical schools in fiscal year 1977, by full-time equivalent student. As the table shows, area vocational-technical schools received an average of \$645 in vocational categorical aid per full-time equivalent student, compared with \$283 for the community junior colleges. Traditionally, the Legislature has appropriated more money in State vocational categorical aid for area vocational-technical schools because, unlike the community junior colleges, they have no tax levying authority.

Currently, five community junior colleges have entered into contracts with area vocational-technical schools. These colleges--Dodge City, Hutchinson, Fort Scott, Coffeyville, and Cowley County--offer vocational programs the area vocational-technical schools cannot offer because they lack the necessary facilities,

Table III-2
State Vocational Categorical Aid for Vocational Programs
Fiscal Year 1977

<u>Type of Institution</u>	<u>State Vocational Categorical Aid</u>	<u>Number of Full-Time Equivalent Students in Reimbursed Vocational Programs</u>	<u>Average State Vocational Categorical Aid per Full-Time Equivalent Student</u>
Community Junior Colleges	\$ 398,830	1,409	\$283
Area Vocational Technical Schools	\$ 3,991,762	6,185(a)	\$645

(a) Includes secondary and postsecondary students.

Developed by Post Audit from records of the Department of Education.

equipment, or instructors. For the programs they offer under contract, the colleges generally are given vocational categorical aid at the rate the area schools normally receive. In fiscal year 1977, these five colleges received \$471,172 in State vocational categorical aid; the remaining 14 colleges received a total of \$398,830.

Because colleges with contractual agreements may receive more than twice as much categorical aid per full-time equivalent student for programs they offer under contract, there appear to be increased incentives to enter into such contracts. Senate Bill 657 will discontinue the State and federal vocational categorical aid to the colleges and fund all vocational credit hours at one and one-half times the credit hour rate for academic credit hours. This action was meant to remove the incentives for contractual agreements. But while differential funding will eliminate the incentive for those five colleges with contracts, it will also provide greater incentive for all 19 colleges to offer more vocational programs and courses.

Conclusion

The State's current method of funding the community junior colleges has encouraged some colleges to seek additional State moneys by expanding the number of outreach

courses offered and by entering into area vocational-technical school contracts. The new method of State financing for the colleges, which establishes differential funding for academic and vocational programs and courses, appears to provide even greater financial incentives. Without proper controls over these incentives, the Department of Education will not be able to determine such things as whether there is a need for new outreach courses, or whether the colleges are offering more vocational programs and courses to receive the higher rate of State aid for vocational programs. Because the Legislature has substantially increased State aid for vocational courses, the Department will have to assume greater responsibility for controlling program classifications at the 19 colleges.

Uniform Accounting System

The picture that has emerged during Legislative Post Audit's analysis of information gathered for the survey instrument and provided by the colleges and the Department of Education is one of a lack of financial control and supervision. The Department of Education has not requested uniform program and financial information from the State's community junior colleges. Instead, the colleges maintain fund accounting systems that are not uniform and that do not provide comparable revenue and cost information by program because their funds and programs are generally not equivalent.

As far back as 1963, Kansas legislators realized the need for a uniform accounting system to provide comparability at the State's community junior colleges. The following excerpt, taken from minutes of a 1963 Legislative Council Education Committee meeting, tells part of that frustration:

First Legislator: One of the problems when we talk about junior college finance...is that of the inability of many junior colleges to tell us actually what their college costs are...If...the state would assume a definite share in such financing, wouldn't we have to know pretty accurately what the actual cost is at the various schools in relation to the curriculum or services they render in order to justify any state support?

Second Legislator: As I remember, it was impossible to get the costs or actual figures that were comparable.

First Legislator: Yes,...when you start to compare a

figure from one school with that of another, someone would say, 'No, that isn't accurate for this reason...'

Second Legislator: Don't all of the colleges keep their books in the same way?

First Legislator: No, that's the root of our problem.

With passage of the 1965 Community Junior College Act, the Legislature provided the means to establish uniformity among the college's accounting and reporting procedures. But the first uniform accounting law specifically for community junior colleges (K.S.A. 1977 Supp. 71-604) was not passed until 1973. This law required the Board of Education to "adopt rules and regulations requiring the community junior colleges to adhere to a uniform system of accounting as prescribed by the state board with approval of the Director of Accounts and Reports."

That same year, the Legislature appropriated \$10,000 to finance a pilot study for the uniform accounting system. With this appropriation, the Board was again directed to establish a uniform accounting system. The pilot study was to be completed by July 1, 1975. To date, the Department of Education has not reported the results of the study to the Legislature.

Legislation was passed during the 1978 legislative session (Senate Bill 650) that once again calls for the establishment of a uniform accounting system for the community junior colleges.

A review of the colleges' current accounting system revealed that the system was not uniform and that the Department of Education has not established rules and regulations requiring the colleges to adhere to it. Therefore, the Department does not have available comparable financial information to evaluate the effectiveness of the colleges' programs. For example, financial information reported in the Department of Education's Statistical and Financial Information of Kansas Community Junior Colleges, which is supposed to provide the information necessary "to make financial comparisons between community junior college institutions," revealed several instances of inconsistent reporting practices. These inconsistencies make it impossible to make useful comparisons between the colleges' program revenues and expenditures.

Inconsistent Reporting Practices

Many revenues the colleges receive flow into and out of several funds. The following examples help illustrate some of the problems

with the colleges' current accounting systems:

1. At Fort Scott Community Junior College, area vocational-technical school reimbursements are deposited in the general fund; at Dodge City and Hutchinson Community Junior College, these reimbursements are deposited in both the vocational fund and the general fund.
2. Outdistrict tuition, student tuition, and State credit hour and outdistrict aid for vocational programs may legally be deposited in either the general fund or the vocational fund. Therefore, the colleges account for these funds based on how they are deposited rather than on the program for which they are intended.
3. Dodge City Community Junior College deposits and spends college work study grants and basic education opportunity grants from special funds; Fort Scott handles these same grants out of its general fund.

It becomes clearer, after identifying problems such as these, that the Legislature cannot tell how State funds are being spent and that the current fund accounting systems are neither comparable nor adequate. If the Legislature intends to fund programs and courses in relation to their costs, the Department of Education will have to develop, and the colleges will have to use, not a uniform fund accounting system but a uniform program accounting system that accounts for revenues and expenditures by program. Senate Bill 650 calls for the establishment of a uniform accounting system at the community junior colleges but does not specify that this accounting system should be on a program basis.

Conclusion

Although the Legislature has directed the Department of Education to establish a uniform accounting system for the community junior colleges, no such system has been developed. The current system, based on funds rather than on programs, provides neither uniform nor comparable financial and program information, which is basic for the decision-making processes not only of the Department but also of the Legislature. Without a uniform program accounting system, the Legislature cannot know whether the level of State funding for a college program is

justified because financial information is not presented and assessed by program.

Regardless of the financial accounting system the colleges use, however, it is essential that the Department develop and the colleges maintain uniform and consistent accounting systems for reporting to the Legislature how they spend State moneys.

Recommendations

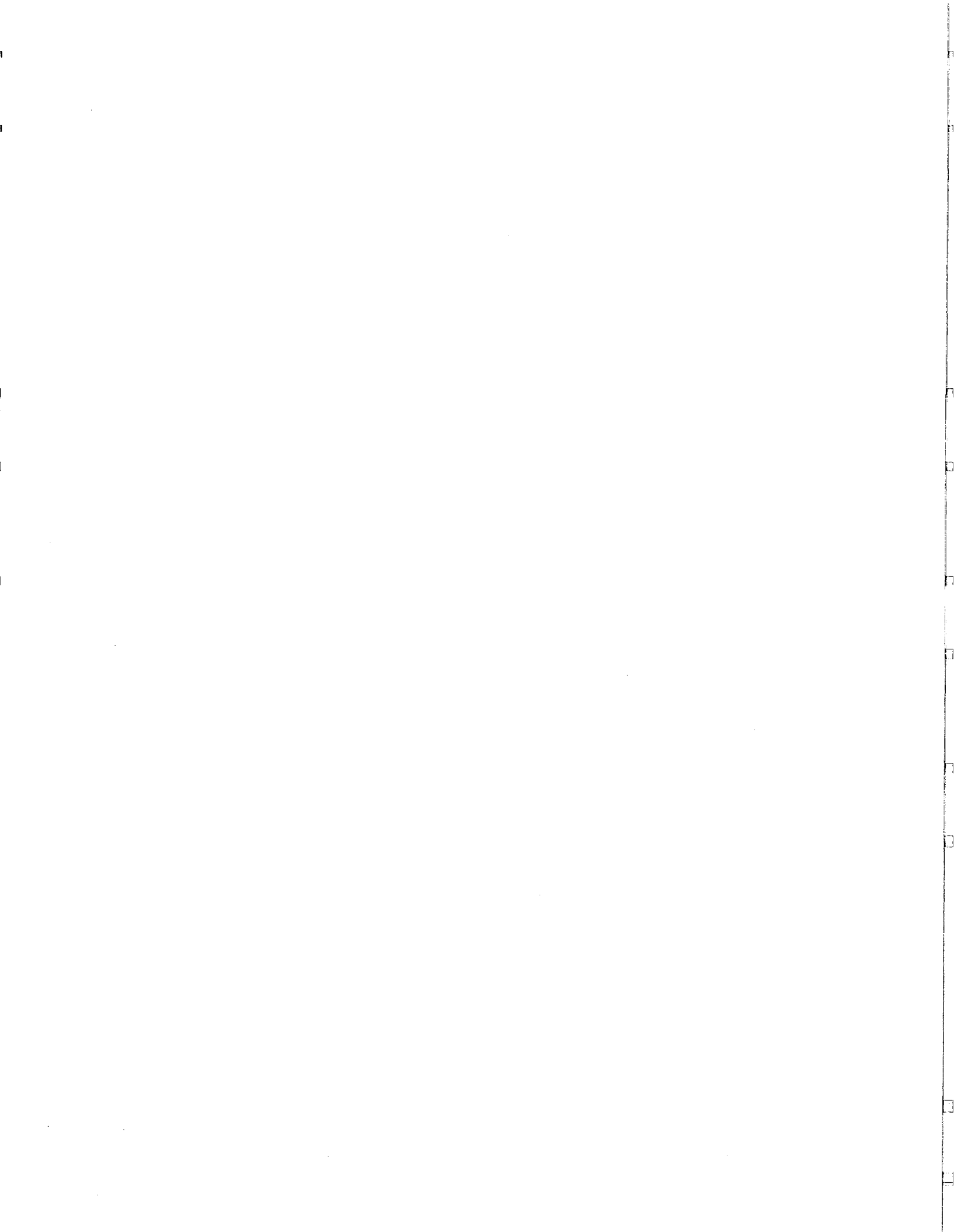
1. To provide adequate information for executive and legislative officials in Kansas who are responsible for making financial decisions, the Department of Education, in cooperation with the Department of Administration, should develop the following:

- a. Fund control regulations and guidelines that clearly specify for all community junior colleges how revenues from State and local sources should be deposited and spent.
- b. Financial accounting and reporting regulations and guidelines for reporting and auditing financial deposits and expenditures made by the community junior colleges.
- c. Program management information regulations and guidelines that cover the reporting of credit hours, revenues, and costs by type of program (academic, vocational, adult basic education, and community service) and by type of funding (for example, outreach or outdistrict courses).

These guidelines and regulations should be developed and submitted to the Legislative Post Audit Committee and the Legislative Educational Planning Committee by December 1, 1978, and should be implemented by July 1, 1979.

2. Once adequate management information becomes available, the Legislative Educational Planning Committee should review the adequacy of the State's method of funding the community junior colleges. During this review, the Committee may wish to consider alternative methods

of funding, such as reimbursing a portion of each college's direct operating costs, or uniformly reimbursing credit hours based on actual program costs at all 19 community colleges.



CHAPTER IV

SUPERVISION OF THE COMMUNITY JUNIOR COLLEGES

The passage of the Community Junior College Act in 1965 substantially increased the State's supervisory role over the colleges. Under this Act, not only was the State required to continue approving course content, but it was also made responsible for establishing a State system of community junior colleges. The Act mandated a basic fiscal control system to help ensure that the Legislature's intent was carried out when State funds were appropriated. The Department of Education is primarily responsible for the development and implementation of that control system.

Statutes specify that the following six basic control elements should be included in such a system:

1. a State plan for community junior colleges,
2. approval of education programs, courses, and course locations,
3. a review of each college's budget,
4. the computation and distribution of funds,
5. a uniform accounting system for all community junior colleges, and
6. audits of the colleges' financial statements and credit hour and outdistrict State aid claims.

The Department's failure to exercise control over the community junior colleges, as identified in the previous chapter, made it impossible to accurately assess the impact of State financing of the community junior colleges or to determine the actual funding levels necessary to operate the colleges' programs. This lack of control raised the following question: is the Department of Education effectively developing and implementing the controls the Legislature mandated for the community junior college system? Legislative Post Audit attempted to answer this question for each of the elements specified by statute. No major problems were found with the Department's computation and distribution of funds, and the need for a uniform accounting system is discussed in the preceding chapter; the findings resulting from the review of the other four control elements are presented here.

A State Plan for the Community Junior College System

Kansas statutes call for the Department of Education to establish a State plan for community junior colleges and give general guidance as to what the plan should entail. The Department's Post-secondary Administration Section is responsible for implementing the plan. According to K.S.A. 71-1001 through K.S.A. 71-1003, the State plan should be a planning document that includes standards, criteria, and policies governing the approval, establishment, operation, development, and accreditation of community junior colleges. It should also include recommendations to the Legislature for the colleges' future development.

The first State plan, approved January 6, 1967, essentially reiterated the language in the statutes rather than specifying goals and objectives for the community junior college system. This initial plan noted that "continual review is necessary of the criteria and policies governing the approval, establishment, operation, and development" of these colleges and that, "at regular intervals the State Plan should be modified and updated to be consistent with such changes." Contrary to that advice, the State plan for community junior colleges has not been updated regularly. The Department recently approved and distributed a copy of the State Plan for Fiscal Year 1978-1979, the first updated plan since the original 1967 document.

Recommendation

The Department of Education should biennially review and update the State plan for the community junior colleges, which should include such basic management information as program cost and revenue data and program credit hours. Such information should show the progress the Department and the colleges have made toward achieving State educational objectives.

The State plan should be approved by the Legislative Educational Planning Committee. It should also be distributed to the Legislature, together with the Department's budget request, to provide the information needed to make basic budgetary decisions.

Approval of Education Programs, Courses, and Course Locations

When State aid to the community junior colleges was first authorized in 1961, the Legislature directed that this aid be given

only to those courses of study approved by the Department of Education. In fiscal year 1977, 90 percent of the academic and vocational course credit hours taught at the community junior colleges received State aid. Because the Department's approval of educational programs and courses is the basis by which all State aid is given, it is essential that the approval procedures be well defined and the approval criteria be applied uniformly, that State aid be given only for approved courses and programs, and that courses and programs offered by the colleges be similar to those offered freshmen and sophomores at four-year schools. However, Legislative Post Audit found that the Department's approval process was weak in each of these areas.

Approval Procedures and Criteria

To help identify the Department's approval procedures and determine the effectiveness of those procedures, Legislative Post Audit requested information from the Department about the number of academic and vocational programs and courses approved and disapproved for fiscal years 1973 through 1977. The Department could not provide a complete list of approved and disapproved courses and programs. When similar information was requested from the colleges, the same problem was noted. For example, administrators at both Dodge City and Fort Scott Community Junior Colleges stated they did not know how many of their academic courses had been approved or disapproved for fiscal years 1973-1977.

In trying to trace the history and development of the approval process, Legislative Post Audit discovered that there was little historical documentation of the approval procedures and criteria the Department used. Although legislation giving the colleges State aid clearly stated the aid could go only to approved programs, the Department did not adopt an official approval policy for academic programs until 1973. The Department still cannot provide Legislative Post Audit with documentation that the academic programs now being offered have been approved.

Even where procedures were established and documentation was available, the audit found that the Department did not always follow those procedures. For example, when the Department of Education adopted course location approval policies in January 1974, administrative regulations outlined specific procedures for approving course locations, including a deadline for approval applications and a course description. Once the Department received an application, it was supposed to process it within 15 days. Of a sample of 60 outdistrict course approval applications for Spring 1977, approximately one-third of the applications were not processed on time.

Course approval was instituted in 1976. At that time, all courses that previously had been approved because they were part

of an approved program were automatically approved without review. The procedure adopted for new course approval required the colleges to submit written applications to the Department detailing the course title, the number of credit hours offered, and a brief course description and justification. However, Legislative Post Audit discovered the following examples of courses at Garden City and Dodge City Community Junior Colleges that the Department appears to have approved for State aid solely on the basis of course title:

<u>Approved Title</u>	<u>Title As It Appeared in College Catalog</u>
Rodeo Techniques I	Ranch Management I
Projects: China painting	Art Projects
Pastries	Introduction to Dietetics
Culinary Art of Mexican Cuisine I	Dietetics I
Culinary Art of Mexican Cuisine II	Dietetics II
Culinary Art of Oriental Cuisine	Dietetics III
Culinary Art of French Cuisine	Dietetics IV
Needlepoint	Home Economics I
Quilting	Home Economics II
Furniture Refinishing	Antique Appreciation I
Upholstering	Antique Appreciation II
Slimnastics	Physical Fitness I

It is interesting to note that after these courses were approved under the original titles, the colleges changed the titles for their course catalogs. This leads Legislative Post Audit to conclude the colleges felt the need to advertise those courses differently for their students or for others who might read their catalogs.

Legislative Post Audit found further evidence that the Department has approved courses based solely on course title. It identified at least three courses that had been disapproved January 17, 1977, under the original course title but that had been approved March 30, 1977, after only the title was changed:

<u>Original Title</u>	<u>New Title</u>
Projects: Woodcarving	Art Projects
Projects: Weaving	Art Projects
Projects: Macrame/Needlepoint/Crocheting	Art Projects

The Department could not document the criteria or standards it used to approve these courses.

There is also evidence to suggest the Department is not applying whatever approval criteria it uses uniformly for similar courses offered at different colleges. For example, on January 17, 1977, the

Department disapproved macrame and needlepoint courses at Garden City Community Junior College because "...These classes are hobby-interest type courses and while we encourage you to offer these you should not offer them for State credit hour aid." However, in fiscal year 1977, five colleges received credit hour aid for macrame and three colleges received State aid for needlepoint courses.

Controlling State Aid Through Course Approval

At Legislative Post Audit's request, the Department of Education identified 200 courses taught in fiscal year 1977 at Dodge City, Garden City, and Pratt Community Junior Colleges that received State aid before they were formally approved by the Department of Education. Table IV-1 below shows how the unapproved courses and accompanying State aid were distributed among the colleges.

Table IV-1
State Aid Given for Unapproved Courses
Dodge City, Garden City, and Pratt Community Junior Colleges
Fiscal Year 1977

<u>College</u>	<u>Number of Courses Offered but not Approved</u>	<u>State Credit-Hour Aid</u>	<u>Out-district State Aid</u>	<u>Total State Aid</u>
Dodge City	168	\$72,168	\$49,869	\$122,037
Garden City	10	2,449	1,070	3,519
Pratt	<u>22(a)</u>	<u>6,107</u>	<u>5,910</u>	<u>12,017</u>
Total	<u>200</u>	<u>\$80,724</u>	<u>\$56,849</u>	<u>\$137,573</u>

(a) Includes courses that had been approved, but for a different number of credit hours.

Developed by Legislative Post Audit from records of the Department of Education.

As the table shows, these three colleges received nearly \$138,000 in State aid for courses that had not yet been approved; the colleges did not submit course approval applications until after the semester in which the courses were taught. The Department's Fiscal Auditing Section discovered this error during its annual audit of the colleges' State aid claims. Rather than require the colleges to return the State funds as authorized by K.S.A. 1977 Supp. 71-604, however, the Department chose to approve the courses.

Controlling Course Content

Following a review of courses offered at the State's community junior colleges, Legislative Post Audit questioned whether many of the courses approved for State credit hour aid as academic courses would in fact be transferable to academic programs at most four-year colleges and universities. Table IV-2 lists these courses, which range from horseshoeing to cake decorating. The fact that these courses were approved and received nearly \$80,000 in State aid in fiscal year 1977 raised additional questions about the adequacy of the Department's approval process.

Table IV-2
Select Academic Courses Receiving State Aid
Community Junior Colleges
Fiscal Year 1977

Name of Course	Number of Schools Offering Course for Credit	Range of Credit Hours	Credit Hours Receiving State Aid	Amount of State Aid Received
Powder Puff Mechanics	5	1-3	212	\$ 4,649
Graphoanalysis	2	1	52	1,140
Beginning Bridge	3	1-2	165	3,619
Knitting	3	1-2	78	1,711
Macrame	5	1	70	1,535
Cake Decorating	5	1-2	127	2,785
Dancing	3	1	183	4,013
Recreational Arts & Crafts	2	1-2	253	5,548
Women's Self Defense	1	2	22	482
Furniture Refinishing	4	2-3	335	7,347
Projects Woodcarving	2	3	108	2,369
Projects & Weaving	1	3	165	3,619
Projects & China Painting	1	3	18	395
Needlepoint/Crocheting/ Macrame	3	1-3	148	3,246
Slimnastics	5	1-2	448	9,825
ESP	1	1	14	307
Upholstery	6	1-3	415	9,101
Home Repairs	2	2-3	48	1,053
Advance Furniture & Repairs	2	2-3	132	2,895
Mexican Cuisine	1	2	76	1,667
French Cuisine	1	2	26	570
Survival Skills	2	1-3	13	285
Quilt Making	1	1	6	132
Auto Tune-up	1	2	22	482
Yoga	1	1	11	241
Flower Arranging	1	1	2	44
Homemade Gifts	1	2	40	877
Horseshoeing	1	2	20	439
Speed Reading	5	1-3	426	9,342
Total			<u>3,635</u>	<u>\$79,718</u>

Developed by Legislative Post Audit from college records.

Conclusion

The Department of Education's approval or disapproval of a course or program is one of the basic controls the State has for ensuring that State funds are being spent according to the Legislature's intent. Yet there appear to be many weaknesses in the Department's approval process for college programs, courses, and course locations. The Department has not established uniform approval criteria and is not documenting the reasons why approval applications are approved or disapproved. In some cases, it appears as if the only criteria the Department has used to approve college courses have been course titles. Contrary to legislative intent, the approval process has neither prevented payment of State aid to unapproved courses nor provided the control necessary to ensure that the colleges' approved program and course offerings can be integrated into the larger State system of postsecondary education.

Recommendations

1. To meet the intent of the Legislature for approving vocational and academic courses, the Department of Education, with the approval of the Legislative Educational Planning Committee, should develop written guidelines for uniformly approving vocational and academic courses offered by the State's community junior colleges. These written guidelines should include criteria for reviewing and approving academic and vocational program and course content, teacher qualifications, and locations for courses taught outside the college districts. The Department should also document the criteria it uses when it approves programs, courses, and course locations.
2. The Department of Education should annually publish a list of all courses approved and disapproved for academic or vocational State aid. This list should be distributed to the Legislative Educational Planning Committee, appropriate legislative committees, and the community junior colleges.
3. The Department of Education should review and approve or disapprove all current academic and vocational courses and programs offered at the 19 community junior colleges. This information should be distributed to the Legislative Educational Planning Committee, appropriate legislative committees, and the community junior colleges.

These recommendations should be implemented no later than July 1, 1979.

Review of the Community Junior College Budgets

Because appropriations for State aid to the community junior colleges are budgeted as part of the Department's own agency budget, the Department must review the colleges' budgets to help develop a budget to present to the Legislature. The Department also reviews the colleges' budgets to help ensure that they are complying with the general fund budget limitation.

Budgeting for State Aid

One of the main mechanisms of legislative oversight to help ensure that the Legislature gets what it wants is the budget process. The budget process for the community junior colleges works as follows: each college submits budget estimates to the Department's Financial Services Division, although the Division generally does not use these budget estimates. Instead, it develops its own budget estimates for the colleges' State aid requests based primarily on historical enrollment data, statutory formulas, or a percentage increase over the previous year's appropriations. Four separate line item requests are made for the four types of State aid the colleges receive.

By September 15, the Department submits its budget request and any requests for supplemental appropriations to the Division of the Budget, which makes recommendations to the Governor regarding funding levels. Because these budget requests are based on enrollment and credit hour estimates rather than on the amounts that will be paid when actual enrollment and credit hour figures are known, the Division of the Budget generally does not verify the accuracy of the Department's request for the colleges; its philosophy essentially has been to fund the colleges at the maximum amount allowed by statutory formulas.

As the Department receives more accurate information on enrollment levels, it makes adjustments both to the State aid requests for the coming fiscal year and to the supplemental appropriation requests for the current year. These adjustments continue into the legislative session.

The major problem with the Department's current budget process is that it does not provide the Legislature with enough financial information, by college and by program, to make sound decisions about the colleges' funding needs. The Legislature's intent has apparently been to fund the colleges essentially on an educational program basis, but when the Legislature must make appropriations based solely on the

Department's budget request for State aid, it cannot know what programs and courses it is paying for and whether the requested funding levels are justified. For instance, the Legislature has no way of knowing how much State aid is budgeted for outreach vocational programs at any one college, or even at all colleges, because such programs can receive as many as three types of State aid--credit hour, outdistrict, and vocational categorical.

In comparison, the Regents' institutions provide significantly more information to the Legislature in their budget requests about the types of expenditures and sources of funds used to pay for them. With this kind of disclosure, the Legislature can better determine what is being paid for and who is paying for it.

Currently, the Department's review of the colleges' budgets is quite limited. Because the colleges are not State agencies, much of the budget review process is left up to the county in which the college is located. Legislative Post Audit does not question the counties' authority in reviewing the colleges' budgets. But, because the colleges now receive more than \$12 million annually in State aid, the Department of Education should also be thoroughly examining the colleges' budget requests and State aid needs and providing the Legislature with this information.

Recommendation

To help the Legislature make more informed budget decisions, the Department of Education should report the following information in its annual budget request to the Legislature:

- program cost data by college and by type of program
- state, federal, and local aid for each college by type of aid and by program
- an explanation of any significant year-to-year changes in program costs at each community junior college

Limiting the General Fund Budget

A college's general fund is the fund out of which many operating expenses are paid and in which student tuition, outdistrict tuition,

State credit hour and outdistrict aid, and local taxes are generally deposited. The Department computes the colleges' general fund limitation on a per student basis using a statutory formula that is intended to control the maximum growth of the colleges' budgets. Currently, the general fund limitation is five percent over the budget-per-student from the previous year.

K.S.A. 1977 Supp. 71-612 states that when a college's full-time equivalent enrollment decreases from one year to the next, the maximum allowable budget may be computed using either the current year's or the previous year's enrollment figure. By using the higher of the two figures, the colleges can have a higher budget limitation, helping them maintain more stable budgets when student enrollments fluctuate but many operating costs remain fixed.

Instead of using the higher of the two enrollment figures consistently when computing the maximum allowable budget, however, the Department has chosen to interpret the statute as follows: it multiplies the higher enrollment figure times the budget-per-student to determine the highest maximum allowable budget, but divides that figure by the lower enrollment figure to get the highest possible budget-per-student for the next year's computation. In essence, then, the Department is using both enrollment figures to compute an artificially high maximum budget-per-student. An example of this computation can be found in Appendix C.

The effect of following the Department's procedure can result in the hypothetical situation identified in Table IV-3. As the table shows, a college with a declining enrollment would end up with a maximum budget that is higher than allowed by law; in this example, the maximum budget is two percent more than permitted by law. In actuality, five of the 19 colleges' budgets in fiscal year 1978 exceeded the amount allowed by law by from one to nine percent. Such statutory violations appear to be an ongoing problem; in fiscal year 1977, six of the colleges' budgets exceeded the statutory budget limitation by from four to 20 percent. It is also interesting to note from the table that a college with an eight percent enrollment decline would end up with a higher maximum budget than a college whose enrollment stayed the same, again using the Department's procedures.

In summary, the Department's procedure for computing the maximum allowable budget permits colleges with declining enrollments to have higher budgets than allowed by statute, a result that violates State laws.

Table IV-3
Effect of the Department of Education's Method for
Computing a College's Maximum Budget Limitation

	<u>College With Stable Enrollment</u>	<u>College With Declining Enrollment</u>
1977 Enrollment	526	526
1978 Enrollment	526	484
Percent Change	0%	(8)%
1977 Maximum Budget	\$642,651	\$642,651
1978 Maximum Budget	\$674,784	\$687,638
Percent Change	5%	7%

Developed by Legislative Post Audit.

Recommendation

So that community junior colleges with declining enrollments will not have higher budgets than allowed by law, the Department of Education should comply with the provision of K.S.A. 1977 Supp. 71-612 that limits on a per-student basis the maximum general fund budget a college may receive or spend. In addition, the Legislative Educational Planning Committee should review both the Department's procedure for computing the maximum budget and the monetary impact of that procedure. Based on its review, the Committee should work with the Revisor of Statutes' Office to clarify K.S.A. 1977 Supp. 71-612 and 71-611(c), which defines the procedure for computing a college's budget-per-student.

Audits of College Financial Statements
and State Credit Hour and Outdistrict Aid Reports

The Department's Fiscal Auditing Section audits the colleges' credit hour and outdistrict State aid claims for courses and programs approved by the Postsecondary Administration Section. All other financial transactions are audited at each college by certified public accountants, who report their findings to the Department of Education and to the Division of Accounts and Reports. The Division's Muni-

pal Accounting Section reviews these reports to determine whether the colleges follow generally accepted accounting principles for the municipalities. Any violations disclosed in these reports should be reported to the colleges, together with recommendations for corrective action.

During a review of the certified public accountants' reports of the colleges' financial statements, Legislative Post Audit found instances of improper deposits and expenditures that the Department has not required the colleges to correct. Those instances can be described as follows:

1. Adult basic education revenues are deposited in the general fund, and adult basic education expenditures are made from the general fund, at Butler County Community Junior College in violation of Kansas statutes (K.S.A. 1977 Supp. 71-614 and 71-617).
2. Expenditures for vocational programs at Fort Scott Community Junior College are made from the general fund in violation of K.S.A. 1977 Supp. 71-613 to 71-614. For example, during fiscal years 1975-1977, Fort Scott deposited moneys for vocational programs in its general fund, then spent nearly \$350,000 from the general fund for these vocational programs.

In addition, the review disclosed that in fiscal years 1974 and 1975 Fort Scott exceeded its general fund budget limitation by \$209,187. Legislative Post Audit found that Fort Scott had reported budget limitation figures to its certified public accountant that were different from the budget figures the Department had computed for the college. Therefore, using the incorrect figures the certified public accountant did not discover that Fort Scott had exceeded its general fund budget limitation, nor did the Department discover this error and the excess expenditures when it reviewed the certified public accountant's report.

Recommendation

The Department of Education, together with the Division of Accounts and Reports' Municipal Accounting Section, should clarify and enforce existing guidelines for audits of the State's community junior colleges to help ensure adequate accountability of State funds. These guidelines should be implemented by July 1, 1979.

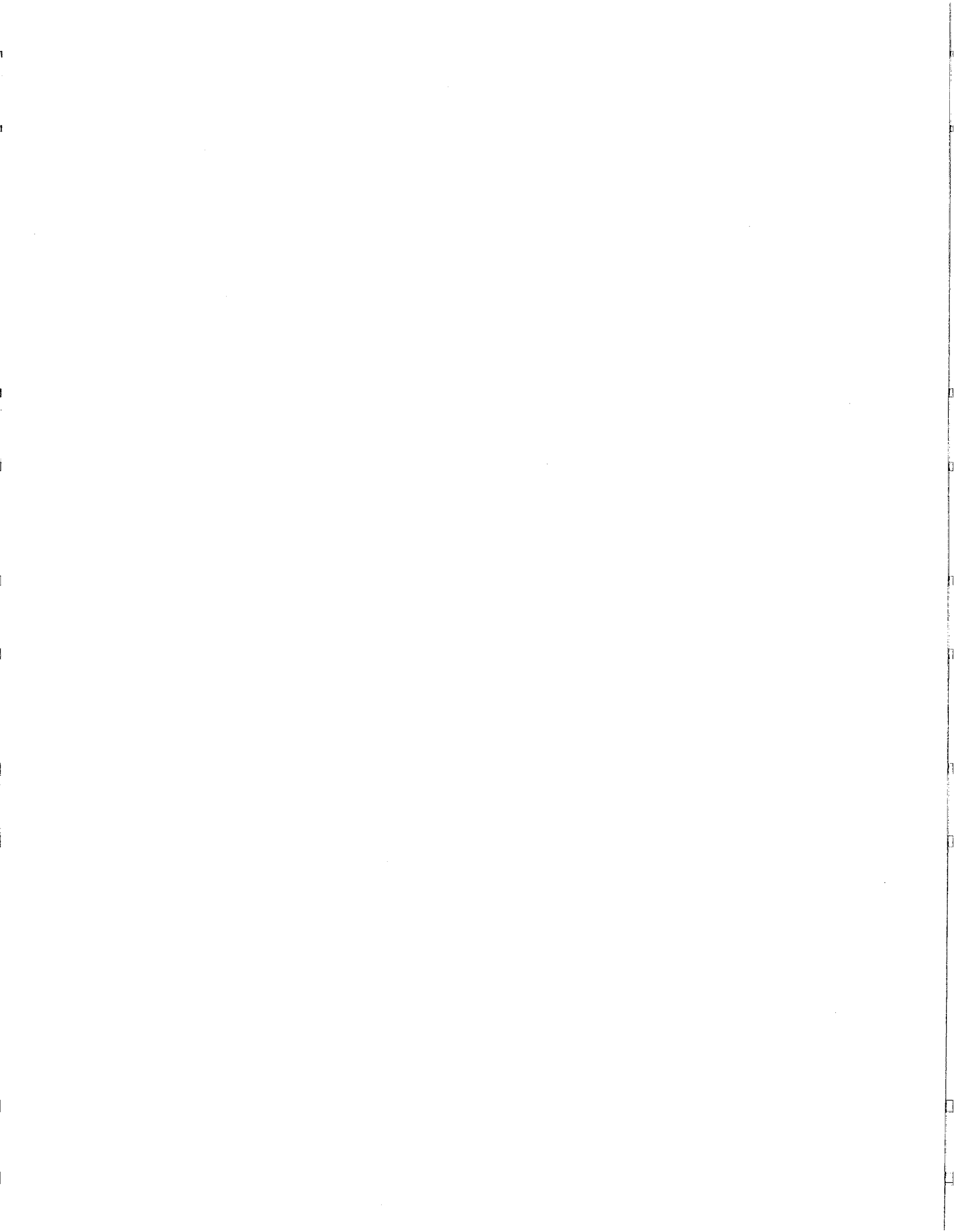
APPENDIX A

Program Costs and Revenues Provided on the
Community Junior College Survey
Fiscal Year 1977

Community Junior College	Academic Programs			Vocational Programs		
	Total Revenues	Total Money Spent	Difference	Total Revenues	Total Money Spent(a)	Difference
Allen County	\$ 770,726	\$ 976,643	\$ (205,917)	\$ 66,219	\$ 44,893	\$ 21,326
Barton County	1,269,518	1,559,688	(290,170)	743,030	469,482	273,548
Butler County	1,638,720	1,707,629	(68,909)	684,378	422,167	262,211
Cloud County	1,171,478	1,089,315	82,163	303,753	124,219	179,534
Coffeyville	1,097,679	1,226,947	(129,268)	299,413	201,123	98,290
Colby	1,646,492	1,769,549	(123,057)	618,267	438,583	179,684
Cowley County	753,365	927,601	(174,236)	775,795	596,782	179,013
Dodge City	1,445,308	1,755,592	(310,284)	762,457	464,192	298,265
Fort Scott	1,616,341	1,251,283	365,058	420,544	306,837	113,707
Garden City	1,526,856	1,996,589	(469,733)	980,383	626,076	354,307
Highland	748,987	890,290	(141,303)	227,114	134,401	92,713
Hutchinson	2,593,098	2,532,313	60,785	985,026	821,213	163,813
Independence	966,906	895,194	71,712	279,867	116,151	163,716
Johnson County	6,252,948	6,047,872	205,076	3,274,852	1,567,992	1,706,860
Kansas City	2,757,745	3,435,811	(678,066)	1,427,003	904,646	522,357
Labette County	708,743	799,375	(90,632)	371,267	238,917	132,350
Neosho County	717,047	874,553	(157,506)	285,562	183,438	102,124
Pratt	1,155,408	1,298,032	(142,624)	478,420	265,980	212,440
Seward	852,117	852,124	(7)	266,921	162,220	104,701
Totals	<u>\$29,689,482</u>	<u>\$31,886,400</u>	<u>\$(2,196,918)</u>	<u>\$13,250,271</u>	<u>\$ 8,089,312</u>	<u>\$ 5,160,959</u>

(a) Includes an allocation of miscellaneous costs reported on the college survey.

Developed by Legislative Post Audit from information provided by the 19 community junior colleges for the survey instrument.



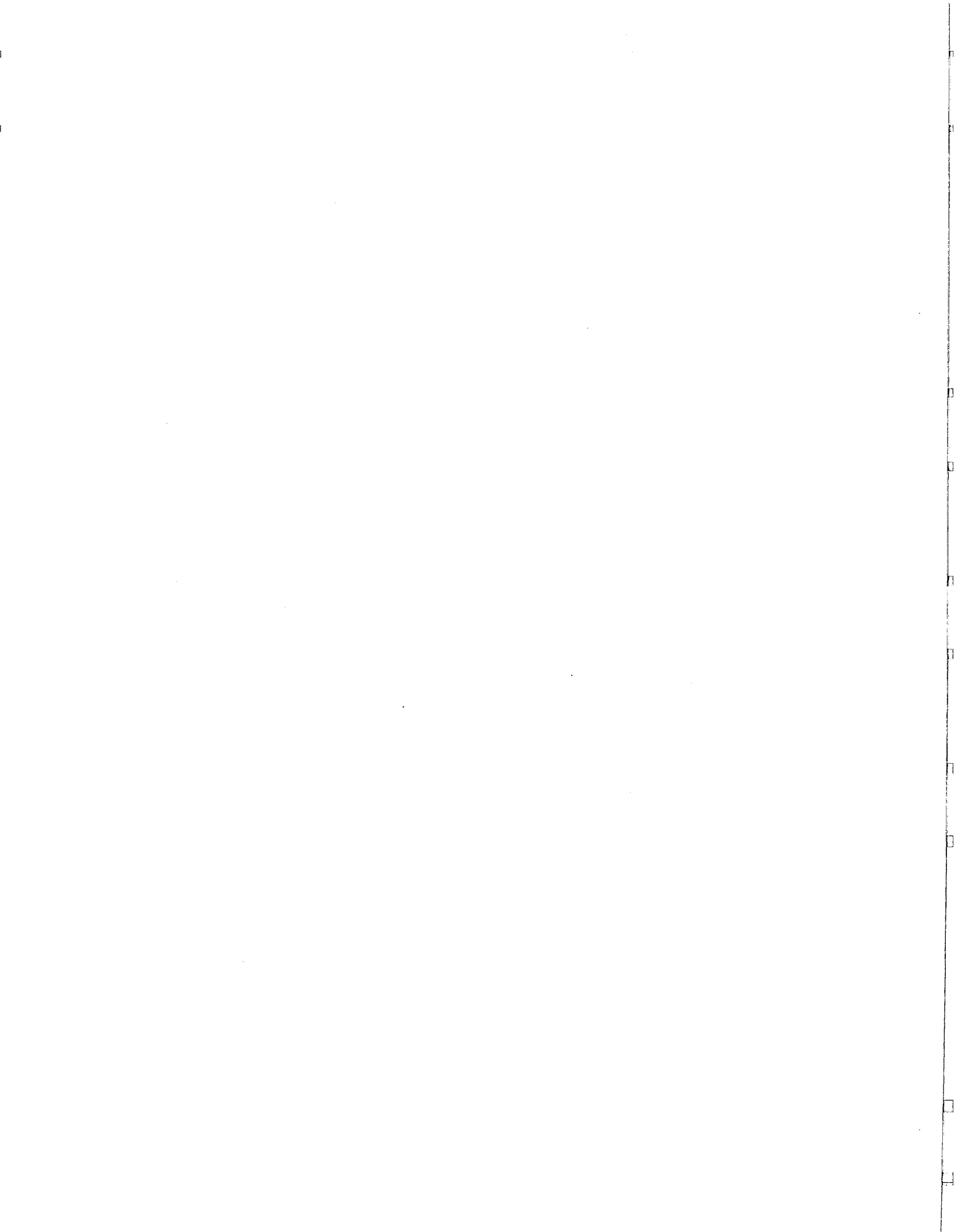
Appendix B
Outreach Courses
Community Junior Colleges
Fiscal Years 1973 and 1977

<u>Community College</u>	<u>Number of Courses</u>		<u>Number of Credit Hours</u>		<u>Revenues Received For Outreach Courses</u>	
	<u>1973(a)</u>	<u>1977</u>	<u>1973</u>	<u>1977</u>	<u>1973(b)</u>	<u>1977</u>
Allen County		24	64	828	\$ 1,815	\$ 30,394
Barton County		100	0	3,045	0	219,887
Butler County		83	132	5,862	4,080	281,909
Cloud County		122	0	1,313	0	61,525
Coffeyville		0	0	0	0	0
Colby		226	1,011	6,902	41,691	345,119
Cowley County		44	201	946	9,447	52,630
Dodge City		46	0	1,480	0	70,263
Fort Scott		89	0	3,180	0	189,924
Garden City		57	0	1,630	0	63,638
Highland		61	0	2,762	0	147,787
Hutchinson		8	0	117	0	6,445
Independence		38	0	744	0	43,633
Johnson County		0	0	0	0	0
Kansas City		7	861	510	39,375	26,870
Labette County		2	51	51	2,051	2,346
Neosho County		1	0	24	0	1,233
Pratt		69	0	1,957	0	88,775
Seward		35	0	652	0	29,851
		<u>1,012</u>	<u>2,320</u>	<u>32,003</u>	<u>\$98,459</u>	<u>\$1,662,229</u>

(a)The Department of Education does not have records of the number of outreach courses offered in fiscal year 1973.

(b)Estimated by Legislative Post Audit

Developed by Legislative Post Audit from records of the Department of Education and the community junior college survey instrument.



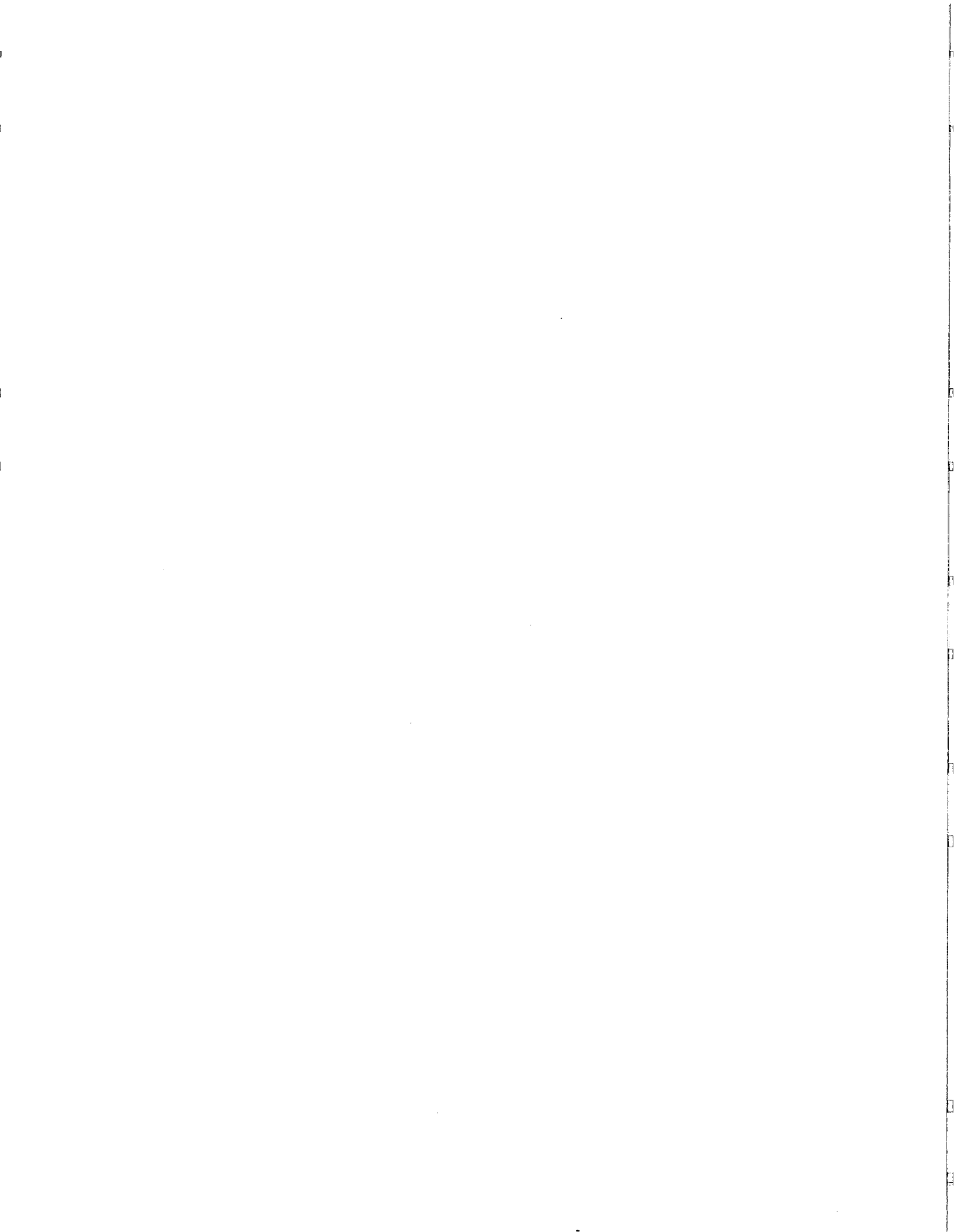
APPENDIX C

Calculation of General Fund Budget Limitation(a)
Fiscal Years 1977-1979

	<u>Procedure Authorized By Statute</u>	<u>Procedure Used By Department of Education</u>
<u>Fiscal Year 1977:</u>		
1977 Maximum Budget-Per-Student	\$1,221.77	\$1,221.77
<u>X Previous year's enrollment</u>	<u>526</u>	<u>526</u>
Maximum Allowable Budget	\$ 642,651	\$ 642,651
Budget-Per-Student for following fiscal year	$\frac{\$ 642,651}{526} = \$1,221.77$	$\frac{\$ 642,651}{484} = \$1,327.79$
<u>Fiscal Year 1978:</u>		
1978 Maximum Budget-Per-Student	\$1,307.30 (105% of	\$1,420.74 (105% of
<u>X Previous year's enrollment</u>	<u>484</u> \$1,221.77)	<u>484</u> \$1,327.79)
Maximum Allowable Budget	\$ 632,733	\$ 687,638
Budget-Per-Student for following fiscal year	$\frac{\$ 632,733}{484} = \$1,307.30$	$\frac{\$ 687,638}{456.7} = \$1,505.67$

(a)Following are the enrollments used in calculating the general fund budget limitation:
fiscal year 1977 - 526; fiscal year 1978 - 484; and fiscal year 1979 - 456.7.

Developed by Legislative Post Audit using a hypothetical example.



APPENDIX D

AGENCY RESPONSE

The Department of Education's response to a draft copy of the audit report was 13 pages of text and comments, 24 pages of attachments, and a one-page cover letter; 38 pages in all. Legislative Post Audit thoroughly read and reviewed the Department's response, but had indicated in a letter accompanying the report that it was impossible to print a voluminous response and that only relevant portions of a lengthy response would be included in the final printed report because of printing considerations.

Because the Department's comments relating to the report's conclusions and recommendations were quite detailed, Legislative Post Audit chose not to print verbatim that part of the response. Instead, the decision was made to summarize the Department's comments, highlighting only key areas. That summary, together with Legislative Post Audit's comments, is presented in this appendix. In addition, the Department requested and received Attorney General Opinion No. 78-196, dated June 15, 1978, which addresses several issues raised in the report. A brief summary of that opinion is also included in this appendix where relevant.

The full texts of the Department's response, Attorney General Opinion No. 78-196, and Legislative Post Audit's comments have been copied and bound in a supplemental volume to this report for the Legislative Post Audit Committee. Additional copies of the supplement are available from Legislative Post Audit's office.



To focus on the issues raised in this report and to condense the Department's lengthy text and comments, Legislative Post Audit summarized the report's conclusions and related recommendations, the Department's response to each area, and Legislative Post Audit's comments. This summary is presented below.

Chapter III: Financing Community Junior College Programs

Inconsistent and Inadequate Program Costs and Revenues

Legislative Post Audit concluded that without adequate and consistent program costs and revenues it was impossible to tell whether State moneys were being spent on programs for which they were allocated.

In its response, the Department quoted Kansas statutes dealing with the distribution of State aid to the colleges (K.S.A. 71-602 and 71-301), noting "state law does not require that community junior colleges receive state aid based on program cost or revenue." This theme runs throughout the Department's response. The Department also questioned the accuracy of vocational program revenue figures collected on the survey, indicating the auditors had inconsistently applied the definition for vocational programs at the colleges during the survey.

Legislative Post Audit response: The audit does not say State aid is distributed on the basis of program cost. Legislative Post Audit is well aware of State laws that discuss how State moneys are to be distributed, deposited, and spent. The problem here is how this information is kept and recorded; it is not a question of whether laws specify this should be done, but rather of whether the decision-makers are being provided with the information they need to decide if the intent of State financing is being followed. To conduct an audit of the effect of State financing, it was necessary to have cost, revenue, and credit hour information by program. The Legislature must have no less to make that same kind of assessment, and the colleges and the Department could do a better job of managing themselves and planning for course and funding needs if they were to maintain this information on a program basis.

Although during the audit the Department could not provide more accurate program revenue and cost information, it now states that the vocational revenues used in the audit are inaccurate. Yet in a letter dated April 25, 1978, Mr. Dale Dennis, assistant commissioner for financial services, stated the program cost and revenue figures Legislative Post Audit collected in the community junior college survey were "the most accurate available from this office at the present time." This response seems to confirm the auditors' findings

about the lack of adequate and consistent information on program costs and revenues.

For the community junior college survey, Legislative Post Audit defined vocational programs as "programs that are vocationally approved by the State Board of Education for State vocational aid and/or vocational property tax aid." Each auditor administering the survey received detailed instructions that included this definition, and the colleges were asked to list only those vocational programs that fit the description.

Determining Financial Incentives

Legislative Post Audit concluded the State's method of funding community junior colleges encouraged some colleges to offer more outreach courses and enter into area vocational-technical contracts to receive larger amounts of State aid. The report also noted the Department would have to assume greater responsibility for controlling the colleges' program classification under the differential method of State funding that becomes effective July 1, 1978.

In its response, the Department said, "monetary incentive may have motivated increased participation in 'outreach' and 'vocational' programs," but added, "the State Board of Education is not aware of any community junior college that initiated or conducted any program solely for that purpose." As the Department pointed out, "Evidence of 'sufficient interest' is required for course approval." The Department also cited its program and course approval and disapproval records for fiscal year 1977; it disapproved 29 of 41 requested new programs, disapproved 54 of 411 new course offerings, and "of 2,228 requests for courses to be taught out-district, only 885 were actually conducted." The Department also acknowledged its increased responsibility for controlling program classification, although it did not say how it would do so.

Legislative Post Audit response: The Department's information regarding approval of outdistrict courses is misleading. Although the Department stated only 885 of the 2,228 outdistrict courses were conducted in fiscal year 1977, it did not mention it had actually approved 2,087 of them. More than 1,200 of these approved courses were not taught because of insufficient enrollments or lack of interest. This information does not seem consistent with the Department's assertion that "evidence of 'sufficient interest' is required for course approval." The report points out on page 20 that, in fiscal year 1977, colleges could receive as much as \$1,500 in total revenues (including several types of State aid) for a course that cost only about \$800 to operate. The fact that more than 2,200 new outdistrict course requests were made in only one

year certainly seems to indicate many colleges tried to take advantage of the financial incentive for offering such courses.

Establishing a Uniform Accounting System

Legislative Post Audit concluded the colleges' current financing system, based on funds rather than programs, "provides neither uniform nor comparable financial and program information." At the very least, the report concluded, the Department should develop a uniform and consistent accounting system for reporting to the Legislature how the colleges spend State moneys.

The Department did not respond to the need for a uniform and consistent accounting system. It said it had devised a "separate budget and financial statement for community junior colleges" when the Legislature directed it to establish a uniform accounting system in 1972.

Legislative Post Audit response: Although the Department's response implies its accounting system is sufficient, Legislative Post Audit contends the "separate budget and financial statement" the Department developed does not satisfy the Legislature's 1972 mandate for a uniform accounting system. The passage of Senate Bill 650, which again directs that a uniform accounting system be established, further supports Legislative Post Audit's position that the current system does not provide uniform or comparable information.

Developing Guidelines to Provide Adequate and Consistent Financial and Program Information

Drawing on its findings and conclusions about State financing of the community junior colleges, Legislative Post Audit recommended the Department of Education and the Department of Administration should develop specific regulations and guidelines for depositing college revenues and for reporting and auditing credit hours and program costs and revenues. The report also recommended that the Legislative Educational Planning Committee review the State's method of financing the colleges and consider alternative funding methods.

The Department quoted in full several statutes addressing which funds State and local revenues should be deposited in and spent from (K.S.A. 71-501a, 71-611d, 71-613, 71-613a, 71-614, and 71-617), contending "regulations reiterating the same guidelines would appear to be an unnecessary duplication." The Department also said the Division of Accounts and Reports had "adopted a minimum audit guide to be followed by certified public accountants and licensed municipal public accountants when auditing community junior colleges."

As for establishing a uniform program accounting system, the Department said it had "no objection to adopting a uniform accounting system based on program cost and generated revenue," but expressed the following reservations:

1. The need for financial information by program and by type of fund does not justify the added cost imposed on the colleges.
2. A program accounting system would require "radical" changes in the colleges' accounting procedures, and changes in local board philosophy and Kansas statutes.

The Department also said enrolled academic and vocational credit hours would be reported separately at each college "to facilitate the payment schedule, for credit hour state aid, established in 1978 Senate Bill 657."

Legislative Post Audit response: Legislative Post Audit disagrees with the Department's implications that existing regulations and guidelines provide specific guidance for controlling college funds and for reporting and auditing their expenditures and deposits. Neither the statutes the Department cited nor the minimum audit guide provides the detail and instruction necessary to ensure that the colleges' reporting practices are consistent and comparable and that their financial conditions are audited and reported in the same way.

The Department's concern regarding a uniform program accounting system is confusing. The Legislative Educational Planning Committee, in consultation with the Department of Education and the Division of Accounts and Reports, has already made plans to hire a consultant to develop a uniform accounting system that will include program cost information. In addition, following the 1972 Legislature's mandate for a uniform accounting system, the Department of Education was part of a Uniform Accounting Committee that recommended a program accounting system be developed which would "report the cost of each program broken down into the elements of salaries, expenses, and capital outlay." The Committee's opinion was that the community junior colleges were "psychologically ready and would experience little difficulty in switching into a new system."

The Department previously indicated to Legislative Post Audit it could not provide a list of approved academic programs because "the definition of a general academic program differs from college to college." The lack of control over program definitions and classifications raises serious doubts about the Department's ability to accurately separate academic and vocational credit hours.

Chapter IV: Supervision of the Community Junior Colleges

Reviewing and Updating the State Plan

Legislative Post Audit recommended the Department biennially review and update the State plan for the community junior colleges, which should include basic management information and should be approved by the Legislative Educational Planning Committee and distributed to the Legislature.

The Department of Education said the State plan should be updated annually, although it did not comment on its failure in the past to do so. The Department also said that a steering committee had been formed to revise the State plan and that, in future plans, "consideration will be given to the needs of the Legislature in regards to information needed for budgeting." The Department also indicated "problems could develop if both the Legislative Educational Planning Committee and the State Board of Education had to approve this plan," but it did not elaborate.

Inadequate Approval Procedures

Legislative Post Audit concluded the Department's procedures for approving college programs, courses, and course locations lacked uniformity and were not sufficient to ensure State funds were being spent the way the Legislature intended.

The Department's response did not address the larger issue here--namely, that evidence indicates its approval processes and procedures are inadequate and don't provide the necessary controls over how the colleges spend State moneys--saying only that the "adequacy of the processes may be a matter of opinion." Instead, the response focused on individual problems identified in the report.

First, the Department noted "we adamantly disagree with the statement that 'the Department often approved a course for state aid based apparently on nothing more than the course title,'" saying it disapproved courses whose "content does not logically fit into an approved academic or vocational program."

Legislative Post Audit response: Legislative Post Audit could not get documentation from the Department showing course content was considered when approving or disapproving a course. The following examples of course descriptions the colleges supplied to the Department do not appear to be adequate to determine actual content:

Careers in Home Economics I - This course consists of a survey of occupations in the field of Home Economics.

Only Yesterday - A course designed to take a look at America's not-too-distant past in literature.

It seems questionable that, using these descriptions, the Department could determine the content of these courses "logically fit into an approved academic or vocational program." Yet these courses were approved for State aid in fiscal year 1977.

The Department said the table on page 32 of the report was in error "because ten of the courses listed as approved were actually disapproved."

Legislative Post Audit response: The courses listed on page 32 were taught in fiscal year 1977; the Department's attached list of disapproved courses was for fiscal year 1978. Therefore, the table is not in error.

The Department thought Table IV-1 on page 33 was misleading. This table showed that three colleges had received nearly \$138,000 in State aid for courses the Department had not yet formally approved. The Department pointed out that "in actuality, the courses for which aid was paid were not on the 'approved list,' but had been previously approved." The Department said the colleges had inadvertently omitted these courses from the approved list, and that "these courses were approved for payment on September 23, 1977, after an extensive review of their content."

The Department also questioned the Attorney General as to whether it should deduct these moneys from future State aid payments to the three colleges. That opinion, Attorney General Opinion No. 78-196, concluded that the Department did not have to approve courses before they received State aid (K.S.A. 1977 Supp. 71-601) and that, because the courses were "found to be approvable and were in fact approved," the Department could not deduct future State aid payments because all statutory requirements had been met.

Legislative Post Audit response: The audit did not recommend that the Department deduct these moneys from future State aid payments. This situation was used to exemplify problems with the Department's lack of control over course and program approval for State aid. Although the Department indicated the courses mentioned in the report were finally approved September 1977, they were taught in the Fall 1976 and Spring 1977 semesters. If the Department is to exercise sufficient control over which courses receive State aid to ensure State funds are spent the way the Legislature intended, it is only reasonable to assume the Department must approve courses and programs before they receive that aid. Because the Department has

no uniform approval criteria, the fact that courses were approved in the past is no assurance they will be or should be approved in the future.

Finally, the Department took issue with Legislative Post Audit's listing in Table IV-2 of courses that received credit hour aid as academic courses but whose transferability as academic courses to other four-year colleges and universities was considered questionable. The Department argued that the community junior colleges "are not just feeder institutions for colleges and universities," and that courses at the colleges should be offered "which will meet the needs of the people in that locality."

Legislative Post Audit response: Legislative Post Audit recognizes that some community junior college courses are not and should not be transferable to four-year universities. But the Department failed to address another major issue raised by information presented in the table: should colleges receive State aid for such courses as Quilt Making, Flower Arranging, Beginning Bridge, and Horseshoeing that are offered to "meet the needs of the people in that locality"? Most of the courses listed on that table would appear to be community service courses, by definition hobby or recreational in nature, which are not eligible to receive State aid.

Developing and Documenting Approval Procedures and Criteria for College Programs, Courses, and Course Locations

Legislative Post Audit recommended that the Department develop, document, and implement adequate approval procedures and criteria to provide the necessary controls over State funds.

The Department said that it already had guidelines for approving programs, courses, and course locations and that it had compiled a list of approved academic and vocational courses. It did not respond to the recommendation to review and approve or disapprove all courses and programs now offered at the colleges.

Legislative Post Audit response: The Department's response completely ignores evidence presented in the report showing numerous problems with its current approval process.

Reviewing Community Junior College Budgets

Providing expanded budget request information. Legislative Post Audit recommended that the Department report in its annual budget request to the Legislature additional program information about

program costs and revenues, explaining any significant variances in year-to-year program costs.

The Department's response pointed out that the colleges now operate on a fund accounting basis, and that to implement the recommendation would require a change in Kansas laws, "would place an extreme financial burden on the community junior colleges," and "could also erode the authority of the local boards of trustees." The Department agreed, however, that "if the Legislature decides to mandate this in the future, we will do our best to administer the program."

Legislative Post Audit response: Legislative Post Audit would point out that the audit is asking the Department to provide information in a format the Legislature can use to assess funding requests and know how State moneys are being spent. Although the Department should discuss this format with members of the Legislature to make sure it meets their needs, no legislative mandate would be needed to keep and report information by college and program as well as by fund.

Changing procedures for computing the general fund budget limitation. Legislative Post Audit recommended that the Department comply with K.S.A. 71-612 so that colleges with declining enrollments won't receive higher budgets than allowed by law, and that the Legislative Educational Planning Committee review both the Department's procedure and the effect and clarify relevant statutes.

The Department maintained that its procedures for computing a college's maximum general fund budget were consistent with Kansas statutes (K.S.A. 71-612 and 71-611(c)), and that "it was the specific intent of the Legislature to use the procedures followed by the State Department of Education at the present time." Attorney General Opinion No. 78-196, dated June 15, 1978, agreed that the Department's procedure was not in violation of K.S.A. 1977 Supp. 71-611(c).

Legislative Post Audit response: Although there seems to be some disagreement as to the proper interpretation of the statutes dealing with general fund budget limitations, Legislative Post Audit would point out that the effect of the Department's procedure produces unlawful and undesirable results.

Using the Department's procedure, the maximum budget for a college with a declining enrollment can be higher than allowed by law and proportionally more than for a college with a stable enrollment. In fiscal year 1978, five colleges with declining enrollments received budgets ranging from one to nine percent higher than the law allowed. Because the Department's computation procedure pro-

duces such results, Legislative Post Audit remains convinced the procedure is in violation of the law.

Ensuring Greater Accountability of State Funds

Legislative Post Audit recommended that the Department clarify and enforce existing guidelines for audits of the State's community junior colleges.

In its response, the Department indicated it already had existing audit guidelines but that "unfortunately, knowledge does not always denote compliance." It did not indicate what actions it intended to take to clarify and enforce those guidelines. The Department also defended Fort Scott Community Junior College's "unique contractual agreement for its vocational programs" that resulted in improper deposits in and expenditures from the general fund. The Department requested an Attorney General Opinion as to whether it should deduct the amount of improper expenditures from Fort Scott's future State payments, even though Legislative Post Audit had not recommended that it do so. Attorney General Opinion No. 78-196 pointed out that "vocational educational expenses should not have been paid from the general fund," (emphasis added) but conceded that because those expenses were "reimbursed" expenses, it would be unjustified to deduct future moneys. This problem has been corrected since the audit was conducted, and these expenses are now being made from the vocational fund.

LEGISLATIVE DIVISION OF POST AUDIT

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